EMALAHLENI LOCAL MUNICIPALITY
(Registration number EC136)
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: MunicipalStructures Act (Act 117 of 1998) read with section 155 (1) of theConstitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (Electricity and Refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and heathy environment
Legislation governing the municipality's operations	
	The Constitution of the Republic of South Africa,1996
	The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
	The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
	The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
	Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
	Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)
	Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)
	Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
	Division of Revenue Act (Act 1 of 2007)

Mayor and executive committee

Mayor	NK Koni
Speaker	N Mtyobile
Chief Whip	X Lali
Executive Councillor	NF Koni
Executive Councillor	S Nyukwana
Executive Councillor	Z Bebeza
Executive Councillor	M Tom
Executive Councillor	X Lali
Executive Councillor	S Kowa

Executive management

Municipal Manager	POB Makoma
Chief Financial Officer (CFO)	X Sikobi
Director - Corporate Services	T Javu
Director - Infrastructure Development and Human Settlements	M Lehlehla
Director - Planning, Economic Development, Tourism and Agriculture	N Mntuyedwa
Director - Community Services	M Gatyeni

Council Members

1. Bangisa W	2. Oyiya M
3. Songo NM	4. Ndlela T
5. Malotana S	6. Matyobeni VE
7. Hlanganyana A	8. Lali X
9. Mzandisi US	10. Kraqa N
11. Bidi Z	12. Qomoyi M
13. Nyukwana S	14. Mtyobile N
15. Macithi V	16. Maratana S
17. Nqono N	18. Mketi B
19. Qali Z	20. Mnyuko V

General Information

21. Kowa S	22. Limba MS
23. Peter NC	24. Bebeza Z
25. Twala BP	26. Tom Z
27. Kupiso S	28. Mnyolo NB
29. Masiza MP	30. Mxathule B
31. Kulashe T	32. Koni NF
33. Mahola Z	34. Sibeko YN

Registered office	37 Indwe Road Cacadu 5410
Postal address	Private Bag X1161 Cacadu 5410
Bankers	Standard Bank 92 Cathcart Road Cathcart Road Komani 5320
Auditors	Auditor-General of South Africa (AGSA) Registered Auditors
Grading of local authority	EC136
Attorneys	Tonise Incorporated Taleni, Kupiso and Godi Attorneys
Preparer	The annual financial statements were internally compiled by: X Sikobi

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

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Abbreviations used:

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development and Partnership Grant
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sport, Recreation, Arts and Culture
AFS	Annual Financial Statements

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 prudentjudgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6 to page 96, which have been prepared on the going concern basis, were approved by myself as the accounting officer on 31 August 2023 and were signed on behalf of the municipality:

POB Makoma
Municipal Manager

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	110 548 885	76 071 552
Trade receivables from exchange transactions	4	22 400 553	19 464 755
Other receivables from non-exchange transactions	5	1 216 789	1 216 789
Receivables from non-exchange transactions	6	17 162 083	11 924 617
Other current asset	7	101 412	1 556 510
VAT receivable	8	8 602 014	10 315 115
		160 031 736	**120 549 338**
Non-Current Assets			
Investment property	9	1 607 901	1 661 810
Property, plant and equipment	10	493 625 216	446 236 044
Intangible assets	11	402 146	541 593
Heritage assets	12	182 536	182 536
		495 817 799	**448 621 983**
Total Assets		**655 849 535**	**569 171 321**
Liabilities			
Current Liabilities			
Consumer deposits	13	94 560	90 090
Employee benefit obligation	14	10 402 013	10 938 092
Payables from exchange transactions	15	25 524 175	22 147 976
Unspent conditional grants and receipts	16	10 304 537	324 332
Provisions	17	16 881 240	17 595 539
		63 206 525	**51 096 029**
Non-Current Liabilities			
Other financial liabilities		37	-
Employee benefit obligation	14	12 029 000	13 512 000
		12 029 037	**13 512 000**
Total Liabilities		**75 235 562**	**64 608 029**
Net Assets		**580 613 973**	**504 563 292**
Accumulated surplus		580 614 011	504 563 292
Total Net Assets		**580 614 011**	**504 563 292**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	26 825 246	24 066 827
Rental of facilities and equipment	19	456 098	880 535
Interest received - investment	20	8 755 821	3 981 989
Interest received (trading)	21	4 845 246	2 878 312
Licences and permits	22	531 326	1 144 055
Agency services	23	1 622 003	2 089 753
Operational revenue	24	1 099 144	271 823
Other income	24	296 956	7 010 077
Actuarial gains	14	3 961 083	2 746 000
Total revenue from exchange transactions		**48 392 923**	**45 069 371**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	11 454 357	10 977 868
Interest on receivables	21	2 840 045	1 960 466
Transfer revenue			
Transfers & subsidies	26	227 558 042	198 682 474
Fines, Penalties and Forfeits	27	306 302	137 567
Total revenue from non-exchange transactions		**242 158 746**	**211 758 375**
Total revenue		**290 551 669**	**256 827 746**
Expenditure			
Employee related costs	28	(87 200 469)	(89 770 139)
Remuneration of councillors	29	(14 239 766)	(13 389 308)
Depreciation and amortisation	30	(17 993 572)	(17 930 361)
Finance costs	31	(181 387)	(13 810)
Bad debts written off	32	(4 101 271)	-
Bulk purchases	33	(16 158 074)	(15 030 431)
Security services	34	(6 822 909)	(5 363 391)
Transfers and Subsidies	35	(1 328 408)	(3 696 182)
General expenses	36	(34 125 164)	(36 832 814)
Lease rentals on operating lease	37	(2 658 655)	(554 018)
Legal services		(5 294 176)	(2 464 034)
Loss on disposal of assets and liabilities		(412 715)	(8 531 193)
Repairs and maintenance	38	(3 596 318)	(2 036 885)
Impairment loss on debtors		(14 128 046)	(4 481 101)
Inventory consumed		(685 911)	(2 233 959)
Business and advisory		(7 080 764)	(6 401 067)
Impairment loss on assets		-	(556 684)
Total expenditure		**(216 007 605)**	**(209 285 377)**
Surplus for the year		**74 544 064**	**47 542 369**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	460 931 058	460 931 058
Adjustments		
Prior year adjustments 46	(5 908 377)	(5 908 377)
Balance at 01 July 2021 as restated*	**455 022 681**	**455 022 681**
Changes in net assets		
Surplus for the year	47 542 369	47 542 369
Correction of errors	1 998 242	1 998 242
Total changes	49 540 611	49 540 611
Opening balance as previously reported	500 109 850	500 109 850
Adjustments		
Prior year adjustments 46	4 453 440	4 453 440
Restated* Balance at 01 July 2022 as restated*	**504 563 290**	**504 563 290**
Changes in net assets		
Surplus for the year	74 544 064	74 544 064
Transfer to/from operating revenue and expenditure	1 506 657	1 506 657
Total changes	76 050 721	76 050 721
Balance at 30 June 2023	**580 614 011**	**580 614 011**

Note(s)

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Rates and other		24 838 307	30 295 205
Transfers and subsidies - Capital		73 328 954	53 045 740
Transfers and subsidies - Operational		154 229 088	145 636 734
Interest income		16 441 112	8 820 767
		268 837 461	237 798 446
Payments			
Suppliers and employees		(168 563 119)	(178 567 428)
Finance costs		(181 387)	(13 810)
		(168 744 506)	(178 581 238)
Net cash flows from operating activities	40	**100 092 955**	**59 217 208**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(65 615 623)	(46 456 651)
Purchase of other intangible assets	11	-	(540 000)
Net cash flows from investing activities		**(65 615 623)**	**(46 996 651)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**34 477 332**	**12 220 557**
Cash and cash equivalents at the beginning of the year		76 071 552	63 850 996
Cash and cash equivalents at the end of the year	3	**110 548 884**	**76 071 553**

The accounting policies on pages 14 to 44 and the notes on pages 45 to 91 form an integral part of the annual financial statements.

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	22 775 000	-	**22 775 000**	26 825 246	**(4 050 246)**	Perf01
Rental of facilities and equipment	510 000	-	**510 000**	456 098	**53 902**	Perf03
Interest received (trading)	2 010 000	3 214 000	**5 224 000**	4 845 246	**378 754**	Perf04
Agency services	1 591 000	-	**1 591 000**	1 622 003	**(31 003)**	Perf05
Licences and permits	3 500 000	-	**3 500 000**	531 326	**2 968 674**	Perf06
Operational revenue	2 699 000	7 000 000	**9 699 000**	1 099 144	**8 599 856**	Perf07
Other income	-	-	**-**	296 956	**(296 956)**	Perf08
Interest received - investment	4 108 000	-	**4 108 000**	8 755 821	**(4 647 821)**	Perf09
Total revenue from exchange transactions	**37 193 000**	**10 214 000**	**47 407 000**	**44 431 840**	**2 975 160**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 120 000	-	**15 120 000**	11 454 357	**3 665 643**	Perf10
Interest received on receivables	-	-	**-**	2 840 045	**(2 840 045)**	Perf11
Transfer revenue						
Transfers & subsidies	227 129 000	650 000	**227 779 000**	227 558 042	**220 958**	Perf12
Fines, Penalties and Forfeits	200 000	-	**200 000**	306 302	**(106 302)**	Per13
Total revenue from non-exchange transactions	**242 449 000**	**650 000**	**243 099 000**	**242 158 746**	**940 254**	
Total revenue	**279 642 000**	**10 864 000**	**290 506 000**	**286 590 586**	**3 915 414**	
Expenditure						
Employee related cost	(99 426 000)	9 334 000	**(90 092 000)**	(87 200 469)	**(2 891 531)**	Perf14
Remuneration of councillors	(13 600 000)	(272 000)	**(13 872 000)**	(14 239 766)	**367 766**	Perf15
Administration	-	-	**-**	(5 294 176)	**(5 294 176)**	
Depreciation and amortisation	(16 054 000)	2 000 000	**(14 054 000)**	(17 993 572)	**3 939 572**	Perf16
Finance costs	(80 000)	(10 000)	**(90 000)**	(181 387)	**91 387**	Perf17
Lease rentals on operating lease	-	-	**-**	(2 658 655)	**2 658 655**	Perf18
Bad debts written off	(2 000 000)	-	**(2 000 000)**	(4 101 271)	**2 101 271**	Perf19
Business and advisory	-	-	**-**	(7 080 764)	**(7 080 764)**	
Bulk purchases	(14 000 000)	(3 000 000)	**(17 000 000)**	(16 158 074)	**(841 926)**	Perf20
Contracted Services	(19 221 000)	(13 492 000)	**(32 713 000)**	(6 822 909)	**(25 890 091)**	Perf21
Transfers and Subsidies	(1 315 000)	(368 000)	**(1 683 000)**	(1 328 408)	**(354 592)**	Perf22
Inventory consumed	(1 489 000)	596 000	**(893 000)**	(685 911)	**(207 089)**	Perf23
Loss on disposal of assets	-	-	**-**	(412 715)	**412 715**	Perf24
General Expenses	(27 388 000)	(7 639 000)	**(35 027 000)**	(34 125 164)	**(901 836)**	Perf25
Repairs and maintenance	-	-	**-**	(3 596 318)	**(3 596 318)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(14 128 046)	**(14 128 046)**	Perf16.1
Total expenditure	**(194 573 000)**	**(12 851 000)**	**(207 424 000)**	**(216 007 605)**	**(51 615 003)**	
Operating surplus	**85 069 000**	**(1 987 000)**	**83 082 000**	**70 582 981**	**12 499 019**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	3 961 083	(3 961 083)	Perf26
Surplus before taxation	**85 069 000**	**(1 987 000)**	**83 082 000**	**74 544 064**	**8 537 936**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**85 069 000**	**(1 987 000)**	**83 082 000**	**74 544 064**	**8 537 936**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	159 497 000	(45 226 000)	**114 271 000**	110 548 885	**3 722 115**	Pos01
Trade receivables from exchange transactions	2 054 000	-	**2 054 000**	22 400 553	**(20 346 553)**	Pos02
Other receivables from non-exchange transactions	-	-	**-**	1 216 789	**(1 216 789)**	Pos03
Other current asset	1 120 000	-	**1 120 000**	101 412	**1 018 588**	Pos04
Receivables from non-exchange transactions	14 082 000	-	**14 082 000**	17 162 083	**(3 080 083)**	Pos05
VAT receivable	-	-	**-**	8 602 014	**(8 602 014)**	Pos06
	176 753 000	**(45 226 000)**	**131 527 000**	**160 031 736**	**(28 504 736)**	
Non-Current Assets						
Investment property	-	-	**-**	1 607 901	**(1 607 901)**	Pos07
Property, plant and equipment	84 834 000	(5 085 000)	**79 749 000**	493 625 216	**(413 876 216)**	
Intangible assets	809 000	-	**809 000**	402 146	**406 854**	Pos08
Heritage assets	-	-	**-**	182 536	**(182 536)**	Pos09
	85 643 000	**(5 085 000)**	**80 558 000**	**495 817 799**	**(415 259 799)**	
Total Assets	**262 396 000**	**(50 311 000)**	**212 085 000**	**655 849 535**	**(443 764 535)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	148 949 000	4 575 000	**153 524 000**	25 524 175	**127 999 825**	Pos10
Consumer deposits	-	-	**-**	94 560	**(94 560)**	Pos11
Employee benefit obligation	-	-	**-**	10 402 013	**(10 402 013)**	Pos12
Unspent conditional grants and receipts	-	-	**-**	10 304 537	**(10 304 537)**	Pos13
Provisions	-	-	**-**	16 881 240	**(16 881 240)**	Pos14
	148 949 000	**4 575 000**	**153 524 000**	**63 206 525**	**90 317 475**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	12 029 000	**(12 029 000)**	Pos15
Total Liabilities	**148 949 000**	**4 575 000**	**153 524 000**	**75 235 525**	**78 288 475**	
Net Assets	**113 447 000**	**(54 886 000)**	**58 561 000**	**580 614 010**	**(522 053 010)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	113 447 000	(54 886 000)	**58 561 000**	580 614 011	**(522 053 011)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and other services	21 331 000	-	**21 331 000**	24 838 307	**(3 507 307)**	CF01
Transfers and subsidies - Capital	46 020 000	(45 420 000)	**600 000**	73 328 954	**(72 728 954)**	CF02
Transfers and subsidies - Operational	145 693 000	194 000	**145 887 000**	154 229 088	**(8 342 088)**	CF03
Interest income	3 130 000	-	**3 130 000**	16 441 112	**(13 311 112)**	CF04
	216 174 000	**(45 226 000)**	**170 948 000**	**268 837 461**	**(97 889 461)**	
Payments						
Suppliers and employees	-	-	**-**	(168 563 118)	**168 563 118**	CF05
Finance costs	-	-	**-**	(181 387)	**181 387**	CF06
	-	**-**	**-**	**(168 744 505)**	**168 744 505**	
Net cash flows from operating activities	**216 174 000**	**(45 226 000)**	**170 948 000**	**100 092 956**	**70 855 044**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(65 615 623)	**65 615 623**	CF08
Net increase/(decrease) in cash and cash equivalents	216 174 000	(45 226 000)	**170 948 000**	34 477 333	**136 470 667**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	76 071 552	**(76 071 552)**	
Cash and cash equivalents at the end of the year	**216 174 000**	**(45 226 000)**	**170 948 000**	**110 548 885**	**60 399 115**	
Reconciliation						

The explanations on the budget vs actual variance references above can be found on note 56.

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounnded to tghe nearest rand.

1.3 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.

1.4 Materiality

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

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

1.5 Offsetting

Financial assets and liabilitie are offset and the ent amount reported on the Statement of financial position only whn there is a legally enforceable right to set of fthe the recognised amoujnt, and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

1.6 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Materiality is judge be reference to the size and nature of the item. the deciding factor is whether the oission or misstatement could, individually or collectively, influence the decision that users make on the basis of these annual financial statements.

In preparation of the annual financial statements has been considered in;
- Deciding what to report in the annual financial statementg and how to present it
- Assessing the effect of omissions, misstatements and errors on the annual financial statements

in assessing whwether an item, transacttions or events is material, specic threshold for specigic items, transactions and events, or aggregation thereof has b een developed. These threshold are used to meke decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items. transactions and events), and used as a margin of error or frameworkwithin which to assess misstatements and errors.

The municipality has also considered whether certain transactions or vbalances may be qualitatively material basesd on tyhe inherent characteristics thereof, even though the thransaction or balances is quantitatively immaterial, if:
-The items, transactions and events relates to legal or regulatory requirements.
- Related party transactions.
- The regulatory or frequency with which an item, transaction or event occurs.
-The item, transaction and events in the reversal of a trend.
- The item, transaction and event is likey to result in a change in accounting policy.
-The commencement of a new function, or the reduction or cessation of an existing function.
- the degreed of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction and evednts that affecets the going concern assumpttion of the municipality.

Lease classification - Municipality as lessor

The municipality has entered into a commerrcial property leases on its inveestment property portfolio. the municipality has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leasees.

Lease classification - Munciality as lessee

The municiaplity has entered into a n umber of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreements transfers substantially all the risks and rewards of ownership to them municipality.

Judgement is required on varrious aspects that includes, but not limited to, the fair value of the leased asset, the econimic life of the lease asset, whether or not to include renewal option of the lease term, and determining an appropriate discount rate to calculate the present value of the minim um lease payments. The payments has exercised its judgement on the appropriates classification of equipment leased, and determine a number of lease4 arrangemnts are finance leases.

Criteria for the classification of properties as investment property rather than property, p;lant and equipment, when classification is difficault

All properties held to earn market related rentals or for capital appropriation or both and that are not for admistrative purposes and that will not be sold in the ordinary course of operations are classiffied as investment property.

Land held for currently undetermined future use

Leased properties that are held to provid a social(community) service or that are necessary for employees to perform their job functions, b ut which also generates rental revenue are not seen as investment property. the rental revenue generated is incidental to the purposes for which the property is held.

Componentisation of infrastructure assets

Repairs and maintanancee is based on management's on judgement of costs incurred in cost centres responsible for the maintenance an repair of municipality owned assets. this includes internal charges (inter departmental charges) such as internal transport costs, charges out to the different departments.

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Provisions and Contingent liabilities

Manangement judgement is required when recognisin gand measuring , and when measuring contigen liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Revenue Recognition

The Accounting Polikcies on Revenue from Exchange Transactionssand Revenue fro non-exchange Transactions describes conditioins under which revenue will be recoreded by the managemnet of the municipality. in making their judgement, the management considered the detailed criteria for the recognition of revenue as setout in GRAP 9: Revenue from Exchange Transaction and GRAP 23:Revwnue from non-exchange Transaction. In particular, in regard to r5evenue from exchange revenue - when goods are sold, whether the management had transaferred to the buyer the signikficant risks and rewards of ownershipof the goods, and when services is transferred, whether the services has been rendered.

Determiniation of repairs and maintenance cost

All infrastructure assets, acquired before the adoption of GRAP here the acquiusition cost could not be obtained, with significant componets relating to different useful lives are unbundled int o their components in order to depreciate all major componets over the expected useful lives. the cost of each component is estimated basee4d on the current market replacemtn cost of eacg component, depreciated for age and condition and recalculated to deemed cost at the acuisition date if known or to the date of initially adeopting the statndard of GRAP. All infrasstructure asset acquired after the adoption of GRAP with significant componeents realting to different useful lives are un bundeld into their components based on the actual expenditure incurred..

1.7 Investment property

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	20-100 years

1.7 Property, plant and equipment (continued)

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

1.8 Property, plant and equipment

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

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

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

Initial recognition and measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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 expediture relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expendture will flow to the municipality and the cost of fair value of the subsequen expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalise the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

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

Accounting Policies

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	Straight-line	Indifinite
Machinery and equipment	Straight-line	1-25 years
Furniture and fixtures	Straight-line	1-40 years
Motor vehicles	Straight-line	1-55 years
Office equipment	Straight-line	1-40 years
Computer equipment	Straight-line	1-25 years
Community Assets	Straight-line	4-30 years
Other property, plant and equipment	Straight-line	6-99 years
Capital Restoration asset	Straight-line	05-30 years
Electrical Infrastructure	Straight-line	10-50 years
Wastewater network	Straight-line	10-100 years
Information and communication infrastructure	Straight-line	03-15 years
Roads Infrastructure	Straight-line	10-100 years
Solid Waste Infrastructure	Straight-line	10-30 years
Water Supply Infrastructure	Straight-line	10-100 years
Stormwater infrastructure	Straight-line	10 - 50 years

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

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

The 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.

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

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 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.9 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.10 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Accounting Policies

1.10 Intangible assets (continued)

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Comouter Software Licenses	Straight-line	2-10 years
Computer software, other	Straight-line	2-10 years

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

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

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

1.11 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

Accounting Policies

1.11 Heritage assets (continued)

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

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.

Heritage assets are initially recognised at cost on its acquiisition date or in thecase of assets acquired by grant or donation, deemed costs, being the fair value of the aset on initial recognition, the cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for t to be capable of operating in the manner intended by the municipality. trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the assets and restoring the site on which it is located.

Initial measurement

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

Derecognition

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

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

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instrument at cost,.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

Accounting Policies

1.12 Financial instruments (continued)

- 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.

Accounting Policies

1.12 Financial instruments (continued)

Classification

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

Type of financial assets	Classification in terms of GRAP 104
Finance lease receiveable	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Current portion of long term receiveables	Financial asset measured at amortised cost
Consumer debtor	Financial asset measured at amortised cost
Other debtors	Financial asset measured at amortised cost
Bank balances and cash	Financial asset measured at amortised cost

Cash includes cash on hand and cawsh with bank (including call deposits). cash equivalents are short-term highly liquid investments, readily convertiblee into amounts of csah that are held with registered banking institutions with thmaturities of three months or less and are subject to an insignificant risk of changein value. for the purpose4 of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

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

Type of financial liabilty	Classification in terms of GRAP 104
Long term liabilities	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Accounting Policies

1.12 Financial instruments (continued)

Initial recognition and measurement

A Financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. in the case of a financial instruments not subsequently measuredc at fair value, transaction costs that are directly attributable to the to the acquisition or issue of the financial instrumenta are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement - Financial assets

Financial assetss consist of cash and cash equivalents, deposits receivables and investments. Receivables are subsequently measured at amortised costuding the effective interest rate method , less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fess or costs that are an intergral part of the effective rate.

A provision for impairment of receivables is establised when there is objective evidence that the municipality will not be able to collect all amountsdue according to the original terms of receivables. The amount of the provision is the difference between assets carrying amount and the present value of the estimated cash flows,discounted at the effective interest rate. Changes in the carrying maount of the provision is recognised in the Statement of Financial perfomance. When a receivable is considered uncollectable, it is written off against the provision. Any gains or losses arising from the change in fair value of investment measured at fair value are recognised in the Statement of financial perfomance

Residual interest that does not have a quoted market price in an active market and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is an objective evidence that, as a result of of one or more events that occured after the initial recognitio of the financial asset, the estimated future cash flows of the investm ent have been affected. Any calculated impairment is recognised in the Statement of Financial performance.

Financial assets at amortised cost are initiallyy measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective interest method less any impairmwnt, with interest recognised on an effective yield basis.

Trade and other receivable(excluding Value Added Taxation, prepayments and operating lease receivable), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Finanacial assets measured at fair value are initially measuredc at fair value plus directly attributable transaction costs. they are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial perfomance or determined ot be impaired, at which time the cumulative loss recorded in equity in the Statement in financial perfomance.

Subsequent measurement - Financial liabilities

Financial liabilities consists of payables, interest bearing loan and bank overdraftg. these liabilities are subsequently measured at amortised cost, using the effective interst rate method. Finance costs are expensed in the Statement of Financial performance in the period in whivh they rae incurred excpet where4 stated otherwise (see accounting policy on borrowing costs)

Impairment of Financial assets

Consumer debtors
Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories ande ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts.

Other debtors
Other debtors are reviewed individually considering paymen histories and disputes about certain amounts. Provision for impairment is amde accordingly.

Derecognition

Financial Assets

Accounting Policies

1.12 Financial instruments (continued)
The municipality derecognises fianncial assets only when the contractual rigths to the cash flow form the asset expires or it transfers the fianncial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of finsncisl assets due to non- recoverability.

if the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assetz, the municipality recognises its retained interest in the asset and an associated liability fir amountgs it may have to pay. if the municipality ratines substantially all the risks and rewards of ownership of a transferredc financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received

Financial liabilities

The municipality derecognises financial liabilities when, and only when , the municipality's obligation are discharged, cancelled or .they expire.:

1.13 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.

The municpality has the following major categories under the ambit of statutory receivables:
- VAT Receivable
-Rates debtors
-Traffic fine debtors
-Availability charges debtors

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.

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.

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.

Accounting Policies

1.13 Statutory receivables (continued)

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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 is recognised in surplus or deficit.

In estimating the future cash flows, an 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 and rewards of ownership of the receivable; or
- 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.

1.14 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.

Municipality as lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Accounting Policies

1.14 Leases (continued)

Municipality as lessee

Property, plant and equipment subject to finance lease are capitalised at their cash cost equivalent. Corresponding liabilities are includeed in the Statement of Financial posotion as Finance Lease Obligations, The cost of tge item of property, plant and equipment is depreciated at appropriate rats on the straight line basis over its estimated useful life. lease payments are allocate between the leasee finance cost an dthe capital repayment using the effective interest rate method. Lease financ costs are expensed when incurred

Operating leases - lessor

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

Operating leases - lessee

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

1.15 Construction contracts and receivables

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

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Accounting Policies

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

For the puprose of the cash flow statement, cash and cash equivalent comprise cash on hand, deposit held on call with banks, net of bank overdraft..

1.17 Impairment of property, plant and equipment

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.

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.

Identification

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

The municipality calculates the recoverable service amount of its assets using the depreciated replacement cost model.

Reversal of impairment loss

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

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

Accounting Policies

1.18 Impairment of non-cash-generating assets

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.

Identification

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

The municipality calculates the recoverable service amount of its assets using the depreciated replacement cost model

Reversal of an impairment loss

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

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

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

1.19 Employee benefits

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

1.19 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

Accounting Policies

1.19 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

The muncipality provides post-retirement health care benefit 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 valuatin of these obligation.

Other post retirement obligations

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

The municipality has an obligation to provide long term service allowwance benefits to all its employees

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

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

Accounting Policies

1.19 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.20 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

Accounting Policies

1.20 Share-based payments (continued)

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 43.

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.

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.

1.21 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.

Accounting Policies

1.21 Commitments (continued)

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.

1.22 Revenue from exchange transactions

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are ecognisedat the point of sale.

Sale of goods

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

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

Rendering of services

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

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

When 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 .

Interest earned and rentals recieved

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

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

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

Accounting Policies

1.23 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines constitutes both spot fines and camera fines. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Subsequently to intial recognitin and measurement, the municipality assess the collectability of the revenie and recognised a separate imp;airment loss where appropriate.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.24 Contingent assets and liabilities

The municipality does not recognised contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent assest and contingent liabilities are disclosed in note 43.

1.25 Investment income

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

1.26 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.

1.27 Accounting by principals and agents

Identification

The municipality is party to a principal-agent arrangement with Department of Transport. In terms of the arrangement the municipality is the agent and is repsonsible for .....
An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Accounting Policies

1.27 Accounting by principals and agents (continued)

Binding arrangement

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

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.28 Value added tax

The municipality is registed with the South African Services (SARS) for Value Added Tax on the payments basis in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax as per legislation. The net amounts (recoverable or payable) f VAT are submitted to SARS monthly and are reported as a receivable or a payable on the Statement of Financial Position on the Annual Financial Statements. The municipality is registered for VAT with SARS on the payment basis.

1.29 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.30 Fruitless and wasteful expenditure

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

Accounting Policies

1.30 Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.31 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/ or before finalisation of the financial statements must be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial and which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with exception of updating note to the financial statements.

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

Irregular expenditure that was incurred and identified during the financial year and which was not condoned by National Treasury or relevant authority must be recorded appropriately in the irregular expenditure register. If the liability for the irregular expenditure can be attributed to a person, a debt must be accounted if such person is liable in law. Immediate steps thereafter must be taken to recover that amount from the person concerned. If the recovery is not possible, the accounting officer or accounting authority may write off debt impairment and disclose in the relevant note to the financial statement. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register

1.32 Revaluation reserve

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

1.33 Segment information

A segment is an activity of an entity:

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

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

The reportable segments identified are those functional segments in the Governement Finance Statistics (GFS's) format and the municipal vote (Departmental) fomrat per the monthly section 71 management reports. The information that will be reported is aligned to the monthly section 71 reports whcih are viewed by the executive management. The GFS's format allows for universla comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the seperate revenue or service delivery components.

The municipality uses the municipal (departmental) votes as primary and GFS's as secondary segment reporting levels.

Accounting Policies

1.33 Segment information (continued)

The assets and liabilities are not reviewed at all on a segregated basis.

Measurement

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

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

1.34 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.35 Related parties and related party transactions

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

Accounting Policies

1.35 Related parties and related party transactions (continued)

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.

1.36 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.

1.37 Change in accounting policy, estimates and errors

Change in accounting policies that are aaffected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balance of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details for the change in accounting policy are disclosed in the notes to the financial statements where applicable. Change in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Detailed change in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details for the prior period errors are disclosed in the note to the financial statements where applicable.

1.38 Cash flow statement

The municipality prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

Bank borrowings are generally considered to be financing activities. Bank overdrafts which are repayable on demand may form an integral part of an entity's cash management activities. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

Accounting Policies

1.38 Cash flow statement (continued)

Cash flows exclude movements between items that constitute cash or cash equivalents because these components are part of the cash management of an entity rather than part of its operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents.

Presentation of a cash flow statement

The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities.

An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its activities. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.

Operating activities

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity are funded: (a) by way of taxes (directly and indirectly); or (b)from the recipients of goods and services provided by the entity. The amount of the net cash flows also assists in showing the ability of the entity to maintain its operating capability, repay obligations, pay a dividend to its owner and make new investments without recourse to external sources of financing. The consolidated whole-of-government operating cash flows provide an indication of the extent to which a government has financed its current activities through taxation and charges. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity.

Examples of cash flows from operating activities are:

a) cash receipts from taxes, levies and fines;

b) cash receipts from charges for goods and services provided by the entity;

c) cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;

d) cash receipts from royalties, fees, commissions and other revenue;

e) cash payments to other entities to finance their operations (not including loans);

f) cash payments to suppliers for goods and services;

g) cash payments to and on behalf of employees;

h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;

i) cash payments of local property taxes or income taxes (where applicable) in relation to operating activities;

j) cash receipts and payments from contracts held for dealing or trading purposes;

k) cash receipts or payments from discontinued operations; and

l) cash receipts or payments in relation to litigation settlements.

Accounting Policies

1.38 Cash flow statement (continued)

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets for rental to others and subsequently held for sale as described in paragraph .75 of the Standard of GRAP on Property, Plant and Equipment are cash flows from operating activities. The cash received from rents and subsequent sales of such assets are also cash flows from operating activities.

An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by public financial institutions are usually classified as operating activities since they relate to the main cash-generating activity of that entity.

Investing activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity's future service delivery. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;

b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets

c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);

d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);

e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);

f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);

g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and

h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Examples of cash flows arising from financing activities are:

a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short- or long-term borrowings;

(b) cash repayments of amounts borrowed; and

(c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 453	1 453
Bank balances	8 404 632	8 907 351
Short-term deposits	45 858 292	29 590 075
Special deposit for the payment of interest	56 284 508	37 572 673
	110 548 885	**76 071 552**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Cash on hand	-	-	-	1 453	1 453	1 453
Standard Bank - Primary Account - 082-665-958	4 591 274	5 073 486	10 466 930	4 589 822	5 073 486	10 466 930
Standard Bank - Debit Order Account - 061-330-302	597 957	318 584	271 201	597 957	318 584	271 201
Standard Bank - Current Account - 082-603-631	3 201 493	3 517 124	1 773 211	3 216 300	3 517 124	1 773 211
Investec Account Number: 110-465258	1 153 389	1 076 974	1 031 576	1 153 390	1 076 974	1 031 576
Standard Bank - 08-879-9697-001	202 057	202 057	202 057	202 057	202 057	202 057
Standard Bank - 08-879-9697-012	11 872	11 481	11 382	11 872	11 481	11 382
ABSA Bank - 93-6256-7503	67 484	63 637	44 713 995	67 434	63 637	44 713 995
ABSA Bank - 93-5890-7006	10 541 492	7 074	5 347 093	10 541 642	7 074	5 347 093
Standard Bank - 08-879-9697-022	10 299 536	32 436	32 098	10 299 536	32 436	32 098
Standard Bank - 08-879-9697-025	22 736 805	15 782 387	-	22 736 805	15 782 387	-
Standard Bank - 08-879-9697-020	21 571 407	20 429 065	-	21 571 408	20 429 065	-
Standard Bank - 08-879-9697-021	15 558 756	15 316 752	-	15 558 756	15 316 752	-
Standard Bank - 08-879-9697-023	-	14 240 886	-	-	14 240 886	-
Standard Bank - 08-879-9697-027	20 000 000	-	-	20 000 000	-	-
Total	**110 533 522**	**76 071 943**	**63 849 543**	**110 548 432**	**76 073 396**	**63 850 996**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Consumer debtors

Gross balances		
Electricity	11 206 154	9 158 534
Refuse	52 347 522	38 638 937
Regional services levies	20 429	23 350
Housing rental	853 063	900 068
	64 427 168	**48 720 889**
Less: Allowance for impairment		
Electricity	(4 584 593)	(6 413 716)
Refuse	(37 015 598)	(22 476 626)
Service charges	(10 344)	-
Property rental	(416 080)	(365 792)
	(42 026 615)	**(29 256 134)**
Net balance		
Electricity	6 621 561	2 744 818
Refuse	15 331 924	16 162 311
Service charges	10 085	23 350
Property rental	436 983	534 276
	22 400 553	**19 464 755**
Electricity		
Current (0 -30 days)	544 149	192 359
31 - 60 days	397 770	132 040
61 - 90 days	438 209	91 533
91 - 120 days	281 506	103 769
121 - 365 days	4 959 927	2 225 117
	6 621 561	**2 744 818**
Refuse		
Current (0 -30 days)	1 579 698	679 584
31 - 60 days	1 485 350	657 694
61 - 90 days	1 422 122	733 137
91 - 120 days	1 403 756	552 228
121 - 365 days	9 440 998	13 539 668
	15 331 924	**16 162 311**
Regional services levies		
Current (0 -30 days)	10 085	23 350
Housing rental		
Current (0 -30 days)	31 836	157 828
31 - 60 days	31 602	50 504
61 - 90 days	31 139	27 735
91 - 120 days	31 230	27 701
121 - 365 days	311 176	270 508
	436 983	**534 276**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(29 256 134)	(29 313 232)
Contributions to allowance	(12 772 589)	(798 357)
Reversal of allowance	2 108	855 455
	(42 026 615)	**(29 256 134)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Consumer debtors (continued)

Credit quality of consumer debtors

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

Consumer debtors impaired

As of 30 June 2023, consumer debtors of R 64 427 168 (2022: R 48 720 889) were impaired and provided for.

The amount of the provision was R 42 026 615 as of 30 June 2023 (2022: R 29 256 134).

The ageing of these loans is as follows:

5. Other receivables from non-exchange transactions

Prepayments	1 216 789	1 216 789

Credit quality of trade and other receivables

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

6. Receivables from non-exchange transactions

Accrued income	3 271 816	2 122 000
Unauthorised, irregular, fruitless and wasteful expenditure	43 106	64 444
Consumer debtors - Rates	34 520 991	29 054 437
Consumer debtors - Impairment	(20 673 830)	(19 316 264)
	17 162 083	**11 924 617**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	34 520 991	29 054 437
Impairment of property rates	(20 673 830)	(19 316 264)
	13 847 161	**9 738 173**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Accrued income from grants	1 707 501	2 122 000
Accrued interest	1 564 315	-
Unauthorised, irregular, fruitless and wasteful expenditure	43 106	64 444
	3 314 922	**2 186 444**

Total receivables from non-exchange transactions	17 162 083	11 924 617

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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 municipalities approved rates policy.

Interest or other charges levied/charged

Interest is charged at the prime rate per annum on the outstanding balance.

Basis used to assess and test whether a statutory receivable is impaired

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R34 532 067 (2022: R29 054 437) were impaired and provided for.

The amount of the provision was R20 673 830 as of 30 June 2023 (2022: R19 316 264).

Reconciliation of provision for impairment for statutory receivables

Opening balance	(19 316 264)	(14 778 066)
Provision for impairment	(1 357 566)	(4 538 198)
	(20 673 830)	**(19 316 264)**

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions

Property rates		
Current (0 -30 days)	280 667	229 824
31 - 60 days	867 777	660 290
61 - 90 days	781 255	576 040
91 - 120 days	769 549	541 926
121 - 365 days	11 147 913	7 730 093
	13 847 161	**9 738 173**

7. Other current asset

Operating lease - straight lining	29 465	29 465
Control, clearing and interface account	71 947	1 527 045
	101 412	**1 556 510**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. VAT receivable

VAT	8 602 014	10 315 115

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	4 036 185	(2 428 284)	1 607 901	4 036 185	(2 374 375)	1 661 810

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	1 661 810	(53 909)	1 607 901

Reconciliation of investment property - 2022

	Opening balance	Disposals	Depreciation	Total
Investment property	1 956 733	(241 000)	(53 923)	1 661 810

Pledged as security

No investment porperty is pledged as security.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	385 961	760 469

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 698 621	-	33 698 621	33 698 621	-	33 698 621
Transport assets	20 697 415	(13 182 643)	7 514 772	19 753 617	(12 212 906)	7 540 711
Electrical infrastructure	23 673 991	(12 948 470)	10 725 521	23 673 990	(12 613 868)	11 060 122
Solid waste infrastructure	507 625	(78 174)	429 451	507 625	(69 037)	438 588
Machinery and equipment	3 192 659	(1 714 681)	1 477 978	2 796 747	(1 525 276)	1 271 471
Furniture and office equipment	8 283 045	(5 596 309)	2 686 736	8 234 545	(4 934 305)	3 300 240
Computer equipment	5 322 306	(2 320 964)	3 001 342	3 923 647	(1 967 481)	1 956 166
Roads infrastructure	452 781 176	(261 651 436)	191 129 740	435 794 759	(254 294 762)	181 499 997
Storm water infrastructure	13 747 738	(4 962 714)	8 785 024	12 689 713	(4 783 820)	7 905 893
Community assets	129 956 958	(26 722 428)	103 234 530	122 654 569	(23 588 117)	99 066 452
Other assets	35 957 331	(7 890 505)	28 066 826	35 957 331	(7 192 084)	28 765 247
Construction work-in-progress	102 874 675	-	102 874 675	69 732 536	-	69 732 536
Total	**830 693 540**	**(337 068 324)**	**493 625 216**	**769 417 700**	**(323 181 656)**	**446 236 044**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	33 698 621	-	-	-	-	33 698 621
Transport assets	7 540 711	943 799	-	-	(969 738)	7 514 772
Electrical infrastructure	11 060 122	-	-	-	(334 601)	10 725 521
Solid waste infrastructure	438 588	-	-	-	(9 137)	429 451
Machinery and equipment	1 271 471	395 911	-	-	(189 404)	1 477 978
Furniture and office equipment	3 300 240	48 500	-	-	(662 004)	2 686 736
Computer equipment	1 956 166	1 462 350	(40 121)	-	(377 053)	3 001 342
Roads infrastructure	181 499 997	-	(347 885)	21 217 192	(11 239 564)	191 129 740
Storm water infrastruture	7 905 893	-	(2 075)	1 043 254	(162 048)	8 785 024
Community assets	99 066 452	-	(36 153)	7 362 478	(3 158 247)	103 234 530
Other assets	28 765 247	-	-	-	(698 421)	28 066 826
Construction Work-in-progress	69 732 536	62 765 063	-	(29 622 924)	-	102 874 675
	446 236 044	**65 615 623**	**(426 234)**	**-**	**(17 800 217)**	**493 625 216**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	37 302 394	-	(3 603 773)	-	-	-	33 698 621
Transport assets	8 430 913	693 133	(143 004)	-	(883 647)	(556 684)	7 540 711
Electrical infrastructure	11 642 696	67 500	(308 165)	-	(341 909)	-	11 060 122
Solid waste infrastructure	447 725	-	-	-	(9 137)	-	438 588
Machinery and equipment	1 469 742	107 116	(108 884)	-	(196 503)	-	1 271 471
Furniture and office equipment	4 079 084	60 344	(131 288)	-	(707 900)	-	3 300 240
Computer equipment	2 166 991	130 226	(24 428)	-	(316 623)	-	1 956 166
Roads infrastructure	193 731 748	-	(2 535 894)	1 561 732	(11 257 589)	-	181 499 997
Storm water infrastructure	8 125 823	-	(61 832)	-	(158 098)	-	7 905 893
Community assets	102 579 203	96 550	(3 697 049)	3 213 923	(3 126 175)	-	99 066 452
Other assets	29 638 222	-	(171 001)	-	(701 974)	-	28 765 247
Construction work-in-progress	32 177 584	45 301 782	-	(7 746 830)	-	-	69 732 536
	431 792 125	**46 456 651**	**(10 785 318)**	**(2 971 175)**	**(17 699 555)**	**(556 684)**	**446 236 044**

Pledged as security

No assets of property, plant and equipment was pledged as security.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	69 732 536	69 732 536
Additions/capital expenditure	62 765 063	62 765 063
Transferred to completed items	(29 622 927)	(29 622 927)
	102 874 672	**102 874 672**

Figures in Rand	2023	2022

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	32 177 584	32 177 584
Additions/capital expenditure	45 301 782	45 301 782
Impairment	(2 971 175)	(2 971 175)
Transferred to completed items	(4 775 655)	(4 775 655)
	69 732 536	**69 732 536**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	3 596 318	2 036 885
Inventory consumed	685 911	2 233 958
	4 282 229	**4 270 843**

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.

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	908 670	(506 524)	402 146	908 670	(367 077)	541 593

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	541 593	(139 447)	402 146

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	219 243	540 000	(40 767)	(176 883)	541 593

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	182 536	-	182 536	182 536	-	182 536

Reconciliation of heritage assets 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Heritage assets (continued)

	Opening balance	Total
Historical buildings	182 536	182 536

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	182 536	182 536

Restrictions on heritage assets

There are no restrictions on the title of heritage assets owned by the municipality.

Pledged as security

There are no heritage assets pledged as security.

13. Consumer deposits

	2023	2022
Rental properties	94 560	90 090

Deposits are released on termination of the contract or when the contractual services are delivered.

Figures in Rand	2023	2022

14. Employee benefit obligations

Defined benefit plan

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

Carrying value		
Non-current: Post employment health care benefits	(8 977 000)	(10 162 000)
Non-current: Long-serivce award benefits	(3 052 000)	(3 350 001)
Current: Post employment health care benefits	(91 000)	(101 000)
Current: Long-service award benefits	(592 000)	(299 000)
Bonus	(1 876 284)	(1 793 058)
Staff leave	(7 842 729)	(8 745 033)
	(22 431 013)	**(24 450 092)**

Non-current liabilities	(12 029 000)	(13 512 000)
Current liabilities	(10 402 013)	(10 938 092)
	(22 431 013)	**(24 450 092)**

Net expense recognised in the statement of financial performance

Current service cost	1 295 000	1 455 000
Interest cost	1 683 000	1 566 000
Actuarial (gains) losses	(3 961 083)	(2 746 000)
Benefits paid	(216 917)	(614 000)
	(1 200 000)	**(339 000)**

Post retirement benefit plan

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Julian Van Der Spy of ZAQ. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

In-service members (Employees)	91	100
Contunation members (Retirees)	2	2
Total members	**93**	**102**

The liability in respect of past service has been estimated as follow:

In-service mmbers (Employees)	8 325 000	9 452 000
Continuation members (Retirees)	743 000	811 000
Total liability	**9 068 000**	**10 263 000**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Current	91 000	101 000
Non-current	8 977 000	10 162 000
Total liability	**9 068 000**	**10 263 000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R - whereas the Interest Cost is estimated to be R -.
The principal assumptions used for the purposes of the actuarial valuations were as follow

Rate of interest	
Discount rate	14,2837%
Consumer price inflation	8,7265%
Medical aid inlfation rate	9,7265%
Net discount rate	4,1533%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

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

The Actuaries used the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Normal retirement age

The average retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for ill healthand early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

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

Present value of unfunded obligations	9 068 000	10 263 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	785 000	884 000
Interest cost	1 254 000	1 161 000
Actuarial (gains) losses	(3 165 345)	(2 189 000)
Benefits paid	(68 655)	(62 000)
	(1 195 000)	**(206 000)**

History of experienced adjustments

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

	+1% Increase	**-1% Decrease**
Effect on the defined benefit obligation	10 689 000	7 753 000
Effect on the aggregate of the interest cost	1 425 000	1 030 000
Effect on the aggregate of the current service cost	783 000	533 000

Total accrued liability

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	+20% Mortality rate	**-20% Mortality rate**
Total accrued liability	8 460 000	9 795 000
Effect on the aggregate of the interest cost	1 125 000	1 304 000
Effect on the aggregate of the current service cost	597 000	698 000

The municipality expects to make a contribution of R - to the Defined Benefit Plan during the next financial year.

Refer to note Retirement Benefit Information to the annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Long-serivce awards benefits

Provision for long-service awards	3 644 000	3 649 001
Less: Transfer to current portion	(592 000)	(299 000)
Total liability	**3 052 000**	**3 350 001**
Current	592 000	299 000
Non-current	3 052 000	3 350 001
Total liability	**3 644 000**	**3 649 001**

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

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

Discount rate	10,47%
Consumer price inflation	5,74%
Normal salary increase rate	6,74%
Net effective discount rate	3,50%

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

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

The Actuaries used the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

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

Present value of unfunded obligations	3 644 000	3 649 000

Net expense recognised in the statement of financial performance

Current service cost	510 000	571 000
Interest cost	429 000	405 000
Actuarial (gains) losses	(795 738)	(557 000)
Benefits paid	(148 262)	(552 000)
	(5 000)	**(133 000)**

Provision for long service awards

Movements in the presetn value of the obligation	-	-
Opening Balance	3 649 000	3 782 000
Increases	939 000	976 000
Reversals	(944 000)	(1 109 000)
	3 644 000	**3 649 000**

The effect of a 1% movement in the withdrawal rates are as follows on the ensuing years assumptions:

	+1% Increase	**-1% Decrease**
Effect on the total accured liability	3 833 000	3 468 000
Effect on the aggregate of the current service cost	511 000	455 000
Effect on the aggregate of the interest cost	501 000	450 000

Total accrued liability

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	+20% Mortality rate	**-20% Mortality rate**
Effect on the total accrued liability	3 480 000	3 822 000
Effect on the aggregate of the current service cost	454 000	513 000
Effect on the aggregate of the interest cost	452 000	499 000

Bonus

Provision for bonus	1 760 116	1 676 890

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Bonus payable	116 168	116 168
Total liability	**1 876 284**	**1 793 058**
Current	1 876 284	1 793 058

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

Present value of unfunded obligations	1 876 284	1 793 058

Net expense recognised in the statement of financial performance

Movements in the present value of the defined benefit obligation	-	-
Opening balance	1 676 890	1 712 003
Increases	1 876 284	1 676 889
Reversals	(1 676 890)	(1 712 002)
Closing balance	**1 876 284**	**1 676 890**

Staff leave

Leave acrrual	7 842 729	8 745 033
Current	7 842 729	8 745 033

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

Present value of unfunded obligations	7 842 729	8 745 033

Net expense recognised in the statement of financial performance

Movements in the present value of the defined benefit obligation	-	-
Opening balance	8 745 033	7 257 301
Increases	7 842 729	8 745 033
Withdrawals	(8 745 033)	(7 257 301)
Closing balance	**7 842 729**	**8 745 033**

Other assumptions

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

Amounts for the current and previous four years are as follows:

	2023 R	2022 R	2021 R	2020 R	2019 R
Post retirement benefit	9 068 000	10 263 000	3 184 000	2 818 000	-
Long service awards	3 644 000	3 649 000	10 374 000	7 098 000	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Payables from exchange transactions

Payments received in advanced - contract in process	(1 603 532)	1 603 532
Bulk purchases	1 410 381	964 420
Contractors	11 864 366	8 288 255
Other payables	12 450 151	10 133 012
Statutory payables	1 244 479	810 345
Control and clearing account	158 330	348 412
	25 524 175	**22 147 976**

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant (MIG)	6 391 247	1
Disaster management grant	3 395 000	-
Intergrated national electrification programme	30	30
Library grant	193 959	-
DEDEAT	324 301	324 301
	10 304 537	**324 332**

Movement during the year

Balance at the beginning of the year	2 720 000	8 740 258
Additions during the year	237 439 000	195 803 000
Income recognition during the year	(229 854 463)	(204 218 926)
	10 304 537	**324 332**

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	16 179 530	948 803	-	17 128 333
Other provision	1 416 009	-	(1 663 102)	(247 093)
	17 595 539	**948 803**	**(1 663 102)**	**16 881 240**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	16 179 530	-	16 179 530
Other provision	-	1 416 009	1 416 009
	16 179 530	**1 416 009**	**17 595 539**

Lady Frere landfill site is located approximately 2.0km west of Indew road R394

Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown route.

Indwe landfill site is located east of R56 appproximately 260m before the town of Indwe.

Environmental rehabilitation provision

Lady Frere Landfill Site
The Lady Frere landfill has been issued with a closure license which states that the rehabilitation of the site must commence within a period of two years from the license issue date, which is 30/06/2014. Commencement of rehabilitation must therefore have started by 30/06/2016, and the license also states that the Licence is valid for a period of four years, meaning the site should have closed by 30/06/2020, depending on how the dates are interpreted. The Municipality has requested an extension of 5 years to operate the site until a new facility can be identified, licenced, and constructed.

Dodrecht Landfill Site
The Dordrecht landfill has been issued with a closure license which states that the rehabilitation of the site must be done within two years from the license issue date, which is 11/09/2014. The site must therefore have been rehabilitated by 11/09/2016 according to the license.

Indwe Landfill Site
The site has no license to operate. Timelines for closure and rehabilitation will be stipulated in the closure license. However, the site is considered to have no remaining lifetime. Waste in the meantime is being transferred via the licensed transfer station to the Indwe landfill site.

	2023	2022
Lady Frere Landfill	5 030 660	4 511 750
Dodrecht Old Landfill	9 385 238	8 436 634
Indwe Landfill	2 712 436	3 231 146
	17 128 334	**16 179 530**

Legal proceedings provisions

The municipality had cases ECD101803 and ECD21905 lodged against it for unfair suspension and unfair dismisal by a forment employee of the municipality. The municipality lost the case and subsequently made a provision for the costs that would be later determined by the CCMA.

	2023	2022
Legal provision	-	1 416 009

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Service charges

Sale of electricity	15 282 382	14 661 873
Solid waste	11 542 864	9 404 954
	26 825 246	**24 066 827**

19. Rental of facilities and equipment

Premises		
Community assets - non-market related	64 920	65 807
Investment property - market related	385 961	760 469
Community assets - market related	5 217	54 259
	456 098	**880 535**

20. Investment revenue

Interest revenue		
Bank	8 755 821	3 981 989

21. Interest on receivables

Interest - Receivables non-exchange	2 840 045	1 960 466
Interest - Receivables from exchange	4 845 246	2 878 312
	7 685 291	**4 838 778**

22. Licences and permits

Trading	191 697	185 877
Road and Transport	339 629	958 178
	531 326	**1 144 055**

23. Agency services

Vehicle Registration	1 622 003	2 089 753

24. Operational and other revenue

Commission	1 099 144	271 823
Sale of good and rendering of services	296 956	7 010 077
	1 396 100	**7 281 900**

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Building plan approval	81 362	25 647
Camping fees	(51)	164
Cemetery and burial	41 476	45 548
Clearance certificates	7 170	6 704
Construction contract revenue	167 050	6 932 014
	297 007	**7 010 077**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Operational and other revenue (continued)

The amount included in other revenue arising from operational revenue are as follows:

Commission	96 454	89 768
Inspection fees	5 174	14 847
Insurance refund	997 516	167 208
	1 099 144	**271 823**

25. Property rates

Rates received

Business and commercial	2 149 587	2 183 328
State-owned properties	6 739 617	6 226 662
Agricultural purposes	665 312	632 561
Developed land	1 735 573	1 814 139
Vacant land	164 268	121 178
	11 454 357	**10 977 868**

Valuations

Agricultural properties	754 264 004	754 264 004
Business and commercial properties	179 631 303	162 226 503
Cemetery	76 000	76 000
Churches	27 972 701	27 972 701
Consolidated erven	38	38
General residential	103 693 000	29 468 000
Industrial properties	1 784 000	1 784 000
Municipal properties	31 833 300	31 833 300
Museum	4 873 000	4 873 000
Public open space	4 100	4 100
Public service infrastructure properties	2 139 000	2 139 000
Public service purposes properties	341 276 600	118 960 400
Residential properties	352 561 900	352 561 900
Sports	389 000	389 000
Sports field	512 000	512 000
Vacant land	29 098 800	29 098 800
	1 830 108 746	**1 516 162 746**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. During the current year under review the municipality compiled the supplementary valuation roll 3.5 which was completed in July 2022 for implementation in 2022/2023 financial year

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Government grants & subsidies

Operating grants		
Equitable share	146 186 000	135 035 000
Government grant	-	2 675 699
Expanded public works programme (EPWP)	1 692 000	2 003 000
Municipal infrastructure grant	2 395 800	1 763 750
Library grant	756 041	950 000
DEDEAT	99 247	109 285
Finance management grant (FMG)	3 100 000	3 100 000
	154 229 088	**145 636 734**
Capital grants		
Intergrated national electrification programme	27 200 000	19 439 970
Municipal infrastructure grant	39 128 954	33 605 770
Office of the Premier	7 000 000	-
	73 328 954	**53 045 740**
	227 558 042	**198 682 474**

Equitable Share

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

MIG

Balance unspent at beginning of year	1	95 247
Current-year receipts	47 916 000	35 275 000
Conditions met - transferred to revenue (capital)	(39 128 954)	(33 606 496)
Conditions met - transferred to revenue (operational)	(2 395 800)	(1 763 750)
	6 391 247	**1**

Conditions still to be met - remain liabilities (see note 16).

The Grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal disaster grant

Current-year receipts	3 395 000	-

Conditions still to be met - remain liabilities (see note 16).

The grant was recieved to assist with the disasters that have occurred.

INEP

Balance unspent at beginning of year	30	-
Current-year receipts	27 200 000	19 440 000
Conditions met - transferred to revenue	(27 200 000)	(19 439 970)
	30	**30**

Conditions still to be met - remain liabilities (see note 16).

The Grant was received from the National Treasury. The purpose of the grant is to provide specific finance for basic Electrification backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Government grants & subsidies (continued)

FMG

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Act..

EPWP

Current-year receipts	1 692 000	2 003 000
Conditions met - transferred to revenue	(1 692 000)	(2 003 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is provided to expand the Public Works programme and job creation efforts. The municipality is incentivised to use labour intensive delivery methods in the following areas:
- Road maintenance and the maintenance of buildings;
- Parks beautification;
- Waste management;
- Low traffic volume roads and rural roads.

Office of the Premier

Current-year receipts	5 292 499	-
Expenses raised - transferred to revenue	(5 292 499)	-
	-	-

This is an unconditional grant from the Office of the Premier. The contract is for R7 000 000 but the receipt in the current year is as disclosed above. The balance of R1 707 501 has been raised in accrued income under receivables from non-exchange.

Library grant

Current-year receipts	950 000	950 000
Conditions met - transferred to revenue	(756 041)	(950 000)
	193 959	-

Conditions still to be met - remain liabilities (see note 16).

To provide educational services for the community.

DEDEAT Allien Eradication

Balance unspent at beginning of year	324 301	324 301

Conditions still to be met - remain liabilities (see note 16).

Allien eradication grant received from DEDEAT.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Fines, Penalties and Forfeits

Illegal Connections Fines	67 500	-
Pound Fees Fines	38 172	101 367
Municipal Traffic Fines	87 060	36 200
Retentions Forfeits	113 570	-
	306 302	**137 567**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs

Basic	51 390 734	51 800 382
Bonus	3 921 361	3 817 892
Medical aid - company contributions	3 036 361	3 059 223
UIF	415 592	448 807
Leave pay provision charge	106 583	2 389 863
Defined contribution plans	-	65
Travel, motor car, accommodation, subsistence and other allowances	62 439	-
Overtime payments	1 592 769	1 715 254
Long-service awards	939 000	672 925
Acting allowances	888 862	2 386 917
Car allowance	3 430 454	3 539 854
Housing benefits and allowances	165 930	179 399
Post-retirement benefit: Medical	2 039 000	2 045 000
Bargaining council	24 972	24 246
Pension	8 201 422	8 049 530
Cellular and telephone	920 836	875 197
Standby allowance	51 874	57 600
	77 188 189	**81 062 154**

Remuneration of municipal manager

Basic salary	826 929	960 635
Cellular and telephone	37 990	44 254
Housing benefits	170 418	203 934
Leave pay	358 939	-
Acting Allowance	31 698	-
Relocation allowance	21 600	-
Travel or motor vehicle	231 210	324 719
Medical	20 226	80 222
Pension	293 818	300 294
UIF	1 935	2 138
	1 994 763	**1 916 196**

Acting allowance is in relation to Mr T Javu acting on behalf of the MM.

Remuneration of chief finance officer

Basic salary	1 028 161	969 329
Cellular and telephone	44 356	44 276
Travel and motor vehicle	422 486	408 896
Medical	89 795	86 907
Pension	190 864	184 725
UIF	2 125	2 125
Acting and post related allowance	25 848	-
Perfomance bonus	15 937	-
	1 819 572	**1 696 258**

the acting allowance is relating to the Mr Fokazi acting on behalf of CFO.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Bad debts written off (continued)

Remuneration of director planning, econnomic development, tourism and agriculture

Basic salary	1 101 505	1 039 355
Acting and post related allowance	19 861	29 797
Bonus	46 638	-
Cellular and telephone	39 548	38 276
Housing benefits	189 350	183 259
Travel or motor vehicle	189 350	183 259
Medical	35 345	34 208
Pension	281 833	272 768
UIF	2 124	2 125
	1 905 554	**1 783 047**

the acting allowance is relating to the Mr Tikana acting on behalf of PEDTA director.

Remuneration of director infrastructure development and human settlements

Basic salary	750 000	801 409
Leave pay allowance	-	98 830
Relocation allowance	21 600	-
Acting and post related allowances	6 468	10 037
Cellular and telephone	34 254	32 250
Housing benefits	62 500	135 256
Travel or motor vehicle	125 000	135 256
Pension	187 500	226 566
UIF	1 416	1 417
	1 188 738	**1 441 021**

Remuneration of director corporate services

Basic salary	946 431	891 603
Cellular and telephone	43 221	42 024
Housing benefit	248 976	240 968
Travel or motor vehicle	294 238	284 772
Pension	139 967	135 465
UIF	2 125	2 125
	1 674 958	**1 596 957**

Remuneration of director community services

Basic salary	825 000	46 718
Cellular and telephone	37 678	227 611
Housing benefits	109 798	-
Travel or motor vehicle	151 250	-
Pension	247 500	-
UIF	1 417	177
Medical	41 452	-
Acting and post related allowance	14 600	-
	1 428 695	**274 506**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Remuneration of councillors

Executive Mayor	930 632	888 567
Speaker	753 296	704 269
Executive Committee Members	3 250 793	3 224 909
Section 79 committee chairperson	808 108	774 820
Ordinary Councillors	8 496 937	7 796 743
	14 239 766	**13 389 308**

30. Depreciation and amortisation

Property, plant and equipment	17 800 217	17 699 555
Investment property	53 909	53 923
Intangible assets	139 446	176 883
	17 993 572	**17 930 361**

31. Finance costs

Trade and other payables	181 387	13 810

32. Bad debts written off

Debtors	1 979 271	2 464 034
Equitable share write off	2 122 000	-
	4 101 271	**2 464 034**

33. Bulk purchases

Electricity - Eskom	16 158 074	15 030 431

Electricity losses

Cost - Units purchased	11 414 027	11 819 115
Units sold	(16 219 163)	(16 867 665)
Total (profit) / loss	**(4 805 136)**	**(5 048 550)**
Comprising of KWH:		
Units purchased	9 391 128	10 691 090
Units sold	(8 754 855)	(8 029 864)
Total	**636 273**	**2 661 226**
The esitmated costs of distribution losses	**773 376**	**2 942 020**
The esitmated average unit costs of distribution losses	**1,215**	**1,105**
Percentage Loss:		
Technical losses	7 %	25 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Contracted services

Outsourced Services		
Security Services	6 822 909	5 363 391

35. Transfer and subsidies

Capital		
Households	74 268	183 769
Provincial government	-	2 971 176
	74 268	**3 154 945**
Operational		
Households	1 012 659	530 773
Private enterprise	-	10 464
Local economic development projects	241 481	-
	1 254 140	**541 237**
	1 328 408	**3 696 182**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. General expenses

Advertising	562 873	576 621
Assets expensed	2 445	-
Auditors remuneration	5 097 236	4 622 408
Bank charges	731 146	615 710
Building	-	5 392 591
Burial services	-	4 000
Bursaries (Employees)	88 124	324 243
Catering services	762 518	976 576
Cleaning services	3 750	-
Clearing and grass cutting services	67 732	50 421
Drivers licence cards	54 510	117 157
Employee wellness	27 900	-
Fines and penalties	625 000	-
Fire services	-	43 225
Fuel and oil	2 134 022	1 509 127
Hire	1 160 603	513 480
IT expenses	3 337 597	2 655 761
Indigent relief	1 290 440	175 565
Information technology services	-	20 333
Insurance	1 693 532	1 311 324
Interior decorator	28 500	29 295
Levies	658 625	628 688
Medical services	-	135 240
Motor vehicle licence and registrations	159 188	470 336
Other expenses	1 707 853	2 517 898
Postage and courier	6 817	526
Prepaid electricity vendors	259 903	285 378
Printing and stationery	207 491	277 914
Protective clothing	766 344	463 535
Removal of harzadous waste	-	134 520
Remuneration to ward committees	3 097 205	3 025 305
Stage and sound crews	26 600	26 664
Subscriptions and membership fees	1 161 445	1 145 882
Telephone and fax	945 194	2 585 820
Title deed search fees	11 446	13 919
Traffic and street lights	-	78 718
Transport and freight	17 486	-
Transport services	250 748	638 129
Travel - local	4 904 381	3 342 649
Utilities - Other	1 842 376	1 702 914
Workmen's compensation fund	434 134	420 942
	34 125 164	**36 832 814**

37. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	2 117 444	-
Plant and equipment		
Contractual amounts	541 211	466 898
Lease rentals on operating lease - Other		
Contractual amounts	-	87 120
	2 658 655	**554 018**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Repairs and maintenance

Maintenance of buildings and facilities	582 972	44 000
Maintenance of equipment	947 137	1 503
Maintenance of unspecified assets	2 066 209	1 991 382
	3 596 318	**2 036 885**

39. Auditors' remuneration

Fees	5 097 236	4 622 408

40. Cash generated from operations

Surplus	74 544 064	47 542 369
Adjustments for:		
Depreciation and amortisation	17 993 572	17 930 361
Gain on sale of assets and liabilities	412 715	8 531 193
Impairment deficit	14 128 046	4 481 101
Debt impairment	-	556 684
Bad debts written off	4 101 271	-
Movements in retirement benefit assets and liabilities	(3 961 083)	(2 746 000)
Changes in working capital:		
Other receivables from non-exchange transactions	(5 237 467)	3 508 533
(Increase) / decrease in trade receivables from exchange transactions	(14 228 759)	(14 610 768)
Increase / (decrease) in provision and obligations	(2 733 378)	3 290 183
Payables from exchange transactions	3 376 198	(1 148 860)
(Increase) / decrease in VAT receivable	1 713 101	(5 181 065)
Unspent conditional grants and receipts	9 980 205	(2 949 421)
Increase / (decrease) in consumer deposits	4 470	12 898
	100 092 955	**59 217 208**

41. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	22 400 553	22 400 553
Other receivables from exchange transactions	1 216 789	1 216 789
Other current assets	101 412	101 412
Cash and cash equivalents	110 548 885	110 548 885
	134 267 639	**134 267 639**

Financial liabilities

	At amortised cost	Total
Consumer deposits	94 561	94 561
Payables from exchange transactions	25 524 205	25 524 205
	25 618 766	**25 618 766**

2022

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	19 464 755	19 464 755
Other receivables from exchange transactions	1 216 789	1 216 789
Other current assets	1 556 510	1 556 510
Cash and cash equivalents	76 071 552	76 071 552
	98 309 606	**98 309 606**

Financial liabilities

	At amortised cost	Total
Consumer deposits	90 090	90 090
Payables from exchnage transactions	22 148 006	22 148 006
	22 238 096	**22 238 096**

42. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Infrastructure	39 672 540	38 542 079
• Other	9 790 312	3 510 348
	49 462 852	**42 052 427**
Total capital commitments		
Already contracted for but not provided for	49 462 852	42 052 427

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	49 462 852	42 052 427

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Contingencies

2023

There were not contingent liabilities in the current year.

2022

Case 1: Njuze vs Emalahleni Local Municipality
Njuze vs Emalahleni Local Municipality, labour court claim for compensation for work allegedly done while acting in another post. Contingecny R1 300 000

Case 1: Mlungwana vs Emalahleni Local Municipality
Mlungwana vs Emalahleni Local Municipality. Spoliation order application on electricity supply disconnection. Contingency: R250 000

Case 2: Rehabilitation of landfill site
Contingent liability for rehabilitation of landfill site in INDWE, CACADU and DORTRECHT.The municipality is disclosing a contingent liability as the municipality is still using the landfill site beyond the licensed period and this could attract fines penelaties from DEDEAT. The amount cannot be determined due to uncertainty in the amount which be imposed by DEDEAT for the noncompliance. It is impracticable to determine the amount the municipality could

Contingent assets

2023

Ngqola vs Emalahleni Local Municipality
N Ngqola vs Emalahleni Local Municipality. The municipality is trying to reclaim vehicles that were attached and taken by the sherrif after losing a case with N Ngqola on electricity supply disconnection due to alleged tempering. Contingency: R250 000.

Emalahleni Local Municipality vs Dr Vatala and Mr De Jager
During the year, Emalahleni Local Municipality registered a claim against Dr Vatala and Mr De Jager for recovery of fruitless and wasteful expenditure incurred by the municipality during the time when they were the municipal manager and chief financial officer respectively. Contingency: R7 947 503

2022

Ngqola vs Emalahleni Local Municipality
N Ngqola vs Emalahleni Local Municipality. The municipality is trying to reclaim vehicles that were attached and taken by the sherrif after losing a case with N Ngqola on electricity supply disconnection due to alleged tempering. Contingency: R250 000.

Unauthorised debit orders
Unauthorised debit orders have been deducted from the municipality's bank account. The amounts have been derecognised in the accounting records of the municipality. A contingent asset is disclosed in this regard as a case has been opened at the local police station in order to recover the monies.

Emalahleni Local Municipality vs Dr Vatala and Mr De Jager
During the year, Emalahleni Local Municipality registered a claim against Dr Vatala and Mr De Jager for recovery of fruitless and wasteful expenditure incurred by the municipality during the time when they were the municipal manager and chief financial officer respectively. Contingency: R7 947 503

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Related parties

Relationships	
Mayor	Refer to page 1 & note 29
Speaker	Refer to page 1 & note 29
Executive committee members	Refer to page 1 & note 29
Ordinary council memebrs	Refer to page 1-2 note 29
Accounting Officer	Refer to accounting officers' responsibilities and approval page. Page 5
Members of key management	Refer to note 28 CFO: X Sikobi Director: Corporate Services - T Javu Director: Infrastructure Development and Human Settlements - M Lehlehla Director: Planning, Economic Development, Tourism and Agriculture - N Mntuyedwa Director: Community Services - M Gatyeni

Related party balances

	2023	2022
Awards to close family members - SCM Regulation 45		
Awards to close family members of persons in the service of other state departments and entities		
Molicar Investments	299 606	137 324
Ebusha General Trading	-	123 600
Ficra	100 044	-

Molicar Investments - C Mbande is a director at COEGA Development Corporation

Ebusha General Trading - K Yankey is manager at DEDEAT

Ficra - K Rantjie is the spokesperson for the Department of Transport

Key management information

Class	Description	Number
Executive management	Senior Management	5
Mayor	Chairperson of Executive Committee	1
Councillors	Members of council	33
Municipal Managers	Accounting Officer	1

Remuneration of management

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

Management class: Councillors

2023

Name	Basic salary	Travelling allowance	Cell phone allowance	Total
Mayor	887 432	-	43 200	930 632
Speaker	710 096	-	43 200	753 296
Executive Committee Members	2 506 793	528 000	216 000	3 250 793
Section 79 Chairpersons	721 708	-	86 400	808 108
Other councillors	7 032 997	-	1 463 940	8 496 937
	11 859 026	**528 000**	**1 852 740**	**14 239 766**

2022

Name	Basic salary	Medical aid benefits	Pension fund contributions	Travelling allowance	Cell phone allowance	Total
Mayor	801 409	-	43 043	-	44 115	888 567
Speaker	626 920	-	34 434	-	42 915	704 269
Executive committee members	2 537 107	9 381	202 265	244 000	232 157	3 224 910
Section 79 committee chairpersons	637 928	-	34 962	14 000	87 930	774 820
Other councillors	6 217 073	-	306 483	123 000	1 150 186	7 796 742
	10 820 437	**9 381**	**621 187**	**381 000**	**1 557 303**	**13 389 308**

Refer to note 29 "Remuneration of councillors"

Management class: Executive management

2023

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

Name	Basic Salary	Leave pay allowance	Bonuses and performance related payments	Acting and post related allowances	Pension	Housing benefits	Medical	Travel or motor vehicle	Cell phone allowance	Total
Municipal Manager	828 864	358 939	-	53 298	293 818	170 418	20 226	231 210	37 990	1 994 763
Chief Financial Officer	1 030 286	-	15 937	25 848	190 864	-	89 795	422 486	44 356	1 819 572
Director Planning Economic Development Tourism & Agriculture	1 103 629	-	46 638	19 861	281 833	189 350	35 345	189 350	39 548	1 905 554
Director Infrastructure Development & Human Settlements	751 416	-	-	28 068	187 500	62 500	-	125 000	34 254	1 188 738
Director Corporate Services	948 556	-	-	-	139 967	248 976	-	294 238	43 221	1 674 958
Director Community Services	826 417	-	-	14 600	247 500	109 798	41 452	151 250	37 678	1 428 695
	5 489 168	**358 939**	**62 575**	**141 675**	**1 341 482**	**781 042**	**186 818**	**1 413 534**	**237 047**	**10 012 280**

2022

Name	Basic Salary	Leave pay allowance	Bonuses and performance related payments	Acting and post related allowances	Pension	Housing benefits	Medical	Travel or motor vehicle	Cell phone allowance	Total
Municipal Manager	962 773	-	-	-	300 294	203 934	80 222	324 719	44 254	1 916 196
Chief Financial Officer	971 454	-	-	-	184 725	-	86 907	408 896	44 276	1 696 258
Director Planning Economic Development Tourism & Agriculture	1 041 480	-	-	29 797	272 768	183 259	34 208	183 259	38 276	1 783 047
Director Infrastructure Development & Human Settlements	802 826	98 830	-	10 037	226 566	135 256	-	135 256	32 250	1 441 021
Director Corporate Services	893 728	-	-	-	135 465	240 968	-	284 772	42 024	1 596 957

44. Related parties (continued)

Director Community Services	-	-	274 506	-	-	-	-	-	-	274 506
	4 672 261	**98 830**	**274 506**	**39 834**	**1 119 818**	**763 417**	**201 337**	**1 336 902**	**201 080**	**8 707 985**

*Refer to note 28 "Employee related costs"

45. Change in estimate

Property, plant and equipment

Depreciable assets - During the year, the useful life of property, plant and equipment had been re-estimated at the beginning of the current period to reflect the actual pattern of service potential derived from the assets.

The effect on the current and future periods will be an increase in the depreciation charge of R110 984 in the current period and an equal decrease in the depreciation charge of R110 984 over the remaining period/s.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Accumulated surplus		(460 931 058)	5 908 377	(455 022 681)

2022

	Note	As previously reported	Correction of error	Restated
Cash and cash equivalents		76 073 396	(1 844)	76 071 552
Receivables from exchange transactions		25 286 575	(5 821 822)	19 464 753
Other receivables from exchange transactions		-	1 216 789	1 216 789
Receivables from non-exchange transactions		13 216 914	(1 292 298)	11 924 616
VAT receivable		10 315 078	37	10 315 115
Investment property		1 222 400	439 410	1 661 810
Property, plant and equipment		436 427 007	9 809 037	446 236 044
Trade and Other Payable Exchange Transactions		(22 252 107)	104 131	(22 147 976)
Accumulated surplus		(500 109 849)	(4 453 440)	(504 563 289)
		40 179 414	**-**	**40 179 414**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Agency Services		2 089 997	(244)	2 089 753
Depreciation, amortisation and impairment		(24 446 497)	6 516 137	(17 930 360)
Operational costs		(28 903 827)	3 261	(28 900 566)
Loss on disposal of assets		(9 524 983)	993 790	(8 531 193)
Impairment loss on assets		-	(556 684)	(556 684)
Surplus for the year		**(60 785 310)**	**6 956 260**	**(53 829 050)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Prior-year adjustments (continued)

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Rate payers and other		28 154 082	2 141 125	30 295 207
Interest		3 981 989	4 838 778	8 820 767
		-	-	-
Suppliers and employees		(167 099 704)	(11 467 727)	(178 567 431)
		(134 963 633)	**(4 487 824)**	**(139 451 457)**
Cash flow from investing activities				
Capital assets		(42 988 750)	42 988 750	-
Purchase of property, plant and equipment		-	(46 456 651)	(46 456 651)
Purchase of intangibe assets		-	(540 000)	(540 000)
		(42 988 750)	**(4 007 901)**	**(46 996 651)**

Cash and cash equivalents

The petty cash expense no offset against the petty cash balance and as thus the petty cash balance showed no movement.

Closing balance - as previously reported	76 073 396	-
Reallocation of petty cash expense	(1 844)	-
	76 071 552	**-**

Receivables from exchange transactions

The municipality billed accounts that are in its own name according to the deeds registrar. The municipality used the beneficiary list to bill the accounts which were not yet transferred to their beneficiaries. The changes in the impairment calculation have been factored in the net movement disclosed.

The municipality decided to disclose consumer debtors seperately on the face of the financial statements as to give better information for the users of the financial statements.

Closing balance - as previously reported	25 286 575	-
Correction of municipal billing	(4 605 033)	-
Reclassification of other receivables to disclose seperately on the financial statements	(1 216 789)	-
	19 464 753	**-**

Other receivables from exchange

The municipality decided to disclose consumer debtors seperately on the face of the financial statements as to give better information for the users of the financial statements.

Reclassification of other receivables to disclose seperately on the financial statements	1 216 789	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Prior-year adjustments (continued)

Receivables from non-exchange transactions

The municipality billed accounts that are in its own name according to the deeds registrar. The municipality used the beneficiary list to bill the accounts which were not yet transferred to their beneficiaries. The changes in the impairment calculation have been factored in the net movement disclosed.

Closing balance - as previously reported	13 216 914	-
Correction of municipal billing	(1 292 298)	-
	11 924 616	**-**

VAT receivables

A small difference in the rounding was discovered and was adjusted for.

Closing balance - as previously reported	10 315 078	-
Correction of rounding	37	-
	10 315 115	**-**

Investment property

Municipal properties that were previously not included in the FAR were recoginised with the total amount R439 410. The porperties are in Indwe and Dodrecht.

Closing balance - as previously reported	1 222 400	-
Indwe - Erf 377 Building rented	123 391	-
Dodrecht - Erf 387 Building rented	316 018	-
	1 661 809	**-**

Property, plant and equipment

The municipality respponded audit findings and made the necessary adjustments to the FAR for the following:

- Incorrect application of GRAP 21 in impairment calculations.
- Rehabilitated sports field surface not derecognised
- Demolished bulding not removed from FAR
- Incorrect amount used in capitalisation of laptop

Closing balance - as previously reported	436 427 007	-
Correction of audit findings	6 134 976	-
Prior year impairment adjustment - COAF 31	3 674 061	-
	446 236 044	**-**

Trade and other payables from exchange transactions

The change is due to the corrections in advance payments. This forms part of the receivables restatements.

Closing balance - as previously reported	(22 252 107)	-
Correction of error	104 131	-
	(22 147 976)	**-**

Figures in Rand	2023	2022

46. Prior-year adjustments (continued)

Agency services

Reallocation of amount incorrreclty allocated.

Balance - as previously reported	2 089 997	-
Correction of error	(244)	-
	2 089 753	**-**

Depreciation, amortisation and impairment

The depreciation, amortisation and impairment amount is affected by the changes in property, plant and equipment for the following:
Incorrect application of GRAP 21 in impairment calculations.
Rehabilitated sports field surface not derecognised
Demolished bulding not removed from FAR
Incorrect amount used in capitalisation of laptop

Balance - as previously reported	(24 446 497)	-
Correction of error	2 285 386	-
Prior year impairment adjustment - COAF 31	4 230 751	-
	(17 930 360)	**-**

Operational costs

The correction is for a lapotp acquisitions incorreclty captured under insurance access.

Balance - as previously reported	(28 903 827)	-
Correction of error	3 261	-
	(28 900 566)	**-**

Impairment loss on assets

Audit adjustment for prio year impairment of assets. COAF 31

Prior year impairment adjustment - COAF 31	(556 684)	-

Loss on disposal of assets

The loss on disposal of assets amount is affected by the changes in property, plant and equipment for the following:
Incorrect application of GRAP 21 in impairment calculations.
Rehabilitated sports field surface not derecognised
Demolished bulding not removed from FAR
Incorrect amount used in capitalisation of laptop

Balance - as previously reported	(9 524 983)	-
Correction of error	993 790	-
	(8 531 193)	**-**

47. Risk management

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

At 30 June 2023	Less than 1 year
Trade and other payables from exchange transactions	25 524 175

At 30 June 2022	Less than 1 year
Trade and other payables from exchange transactions	22 147 976

The entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The entity manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the entity's credit control and debt collection policy. The entity's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 7 to the annual financial statements.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial instrument	2023	2022
Other current assets	101 412	1 556 510

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Risk management (continued)

Trade receivables from exchange transactions	22 400 553	19 464 755
Other receivables from exchange transactions	1 216 789	1 216 789
Cash and cash equivalents	110 548 885	76 071 552

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge in the interest rate market.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The entity’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Capital risk management

The entity manages its capital to ensure that the entity will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The Municipality monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the entity’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 580 614 011 and that the municipality's total assets exceed its liabilities by R 580 614 011.

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality successfully maintained a cost-coverage ratio above 2 for the duration of the 2022/23 financial year.

The municipality maintained a healthy current ratio showing adequate liquidity for day-to-day transactions throughout the year including being able to pay all suppliers within 30 days of invoicing.

The municipal budget for the 2022/23 financial was assessed by Eastern Cape provincial treasury and found to be funded which reinforces that that the municipality is a going concern for at least 12 months after year end.

49. Events after the reporting date

The municipality was granted an extension of Lady Frere landfill site operating and closure licence for a period of 5 years.

- The municipality was issued with a Waste Management Licence for closure of the Lady Frere Site with the validity period of 4 years, being 2018. The municipality has been operating an unlicensed from 2018 , which led to an application for an extension
- Previously the municipality was exposed to a maximum R10 million fine for breach of NEMA Act. This contigent liability has been reversed due to the extension of the operatiing licence for a further 5 years until August 2028.

50. Unauthorised expenditure

Opening balance as previously reported	47 719 333	10 373 137
Add: Unauthorised expenditure - current	10 476 376	37 346 196
Closing balance	**58 195 709**	**47 719 333**

Unauthorised opertional expenditure: Budget overspending – per municipal department:

Budget and Treaury Office	10 476 376	27 575 139
Community and Social Serivces	-	6 748 129
Executive and Council	-	1 619 262
Infrastructure Development and Human Settlements	-	1 403 665
	10 476 376	**37 346 195**

Recoverability steps taken/criminal proceedings

Unauthorised expenditure schedule has been submitted to MPAC for investigations.

Disciplinary steps taken/criminal proceedings

No disciplinary action has been taken yet with regards to the expenditure discosed above.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	1 167 035	106 000
Add: Fruitless and wasteful expenditure identified - current	866 353	1 061 035
Closing balance	**2 033 388**	**1 167 035**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Legal costs - Tabata Zilindile settlement	Under investigation	231 000	-
Eskom - Interest on overdue account	Under investigation	8 812	13 547
Eskom prepayment	Under investigation	-	1 046 503
Fine for Non-compliance with the environmental authorization by DEDEAT	Under investigation	625 000	-
Interest on overdue Telkom account	Under investigation	1 540	984
Department of labour - interest incurred in the municipal account for workman's compensation		-	106 000
		866 352	**1 167 034**

52. Irregular expenditure

Opening balance as previously reported	27 936 634	45 054
Add: Irregular expenditure - current	10 041 735	10 436 310
Add: Irregular expenditure - prior period	-	17 455 270
Less: Amount written off - current	(8 567 744)	-
Closing balance	**29 410 625**	**27 936 634**

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

	Disciplinary steps taken/criminal proceedings		
SCM Process was not followed when acquiring the services	Referred the expenditure to MPAC for investigation and DC for financial misconduct	8 893 908	27 877 357
Medical Aid paid to employees exceeding the bargainingcouncil agreement.	Referred to DC Board	-	2 167
Medical Aid contributions overpaid on behalf of a councillor errounously	Refe the expenditure to MPAC for investigation and DC for financial misconduct	-	12 057
Incorrect applicaton of SCM regulations by the bid committees	Referred the expenditure to MPAC for investigation and DC for financial misconduct	-	45 054
Management remunerated above the determined upper limits	Referred the expenditure to MPAC for investigation and DC for financial misconduct	1 147 827	-
		10 041 735	**27 936 635**

Recoverability steps taken/criminal proceedings

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 144 651	1 126 216
Amount paid - current year	(1 144 651)	(1 126 216)
	-	-

Audit fees

Current year subscription / fee	5 097 235	4 622 408
Amount paid - current year	(5 097 235)	(4 622 408)
	-	-

PAYE and UIF

Current year subscription / fee	16 061 394	16 074 580
Amount paid - current year	(16 061 394)	(16 074 580)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	19 893 668	18 640 053
Amount paid - current year	(19 893 668)	(18 640 053)
	-	-

VAT

VAT receivable	8 602 014	10 315 115

VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023.
All the listed councillors have entered into payment arrangements. Monthly instalments are deducted from their allowances.

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TG Kulashe	530	12 918	13 448
MP Masiza	492	492	984
S Qomoyi	521	469	990
V Mnyuko	516	470	986
	2 059	**14 349**	**16 408**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TG Kulashe	-	26 455	26 455

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Appointment of consultants	32 439	203 834
Information technology upgrades	-	550 276
Extension of contracts (period/value)	-	341 780
Workmate Business Solutions	181 338	-
	213 777	**1 095 890**

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity and refuse removal. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

The municipality's operations are in the Eastern Cape Province.

Seperate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develope the necessary information would be excessive.

Although the muncipality's operations in a number of geographical areas (i.e. wars), the geographic information is not considered relevant to management for decision making. The goods and services rpovided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the municipality has assed that is operates in a single geagraphical area.

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Electricity	Refuse Removal	Unallocated	Total
Revenue				
Service charges	15 274 166	11 542 864	8 216	26 825 246
Rental of facilities and equipment	-	-	450 881	450 881
Interest received - investment	-	-	8 755 821	8 755 821
Interest received (trading)	934 205	3 835 667	80 592	4 850 464
Licences and permits	-	-	531 326	531 326
Agency services	-	-	1 622 003	1 622 003
Operational revenue	-	-	1 099 144	1 099 144
Other income	-	-	296 956	296 956
Actuarial gains	-	-	3 961 083	3 961 083
Property rates	-	-	11 454 357	11 454 357
Interest on receivables	-	-	2 840 045	2 840 045
Transfers & subsidies	27 200 000	-	200 358 042	227 558 042
Fines, penalties and forfeits	-	-	306 302	306 302
Total segment revenue	**43 408 371**	**15 378 531**	**231 764 768**	**290 551 670**
Entity's revenue				**290 551 670**
Expenditure				
Employee related costs	4 087 264	7 165 640	75 947 566	87 200 470
Remuneration of councillors	-	-	14 239 765	14 239 765
Depreciation and amortisation	334 603	-	17 658 972	17 993 575
Finance costs	-	-	181 387	181 387
Bad debts written off	46 628	164 778	3 889 865	4 101 271
Bulk purhcases	16 158 073	-	-	16 158 073
Inventory consumed	-	288 328	397 582	685 910
Contracted services	1 129 138	109 932	23 037 258	24 276 328
Transfers and subsidies	-	-	1 328 408	1 328 408
General expenses	80 094	677 308	31 885 601	32 643 003
Lease renatls on operating lease	-	-	2 658 655	2 658 655
Loss on disposal of assets and liabilities	-	-	412 715	412 715
Impairment loss on debtors	(1 829 123)	14 538 972	1 418 197	14 128 046
Total segment expenditure	**20 006 677**	**22 944 958**	**173 055 971**	**216 007 606**
Total segmental surplus/(deficit)	**23 401 694**	**(7 566 427)**	**58 708 797**	**74 544 064**
Entity's surplus (deficit) for the period				**74 544 064**
Assets				
Current assets	1 198 289	(639 808)	159 497 692	160 056 173
Non-current assets	23 858 160	-	468 273 284	492 131 444
Total segment assets	**25 056 449**	**(639 808)**	**627 770 976**	**652 187 617**
Total assets as per Statement of financial Position				**652 187 617**
Liabilities				
Current liabilites	1 848 643	3 198 474	58 157 909	63 205 026
Non-current liabilities	-	-	12 029 000	12 029 000
Total segment liabilities	**1 848 643**	**3 198 474**	**70 186 909**	**75 234 026**
Total liabilities as per Statement of financial Position				**75 234 026**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

	Electricity	Waste Removal	Unallocated	Total
Revenue				
Service charges	14 578 664	9 404 955	83 208	24 066 827
Rental of facilities and equipment	-	-	874 082	874 082
Interest received - investment	-	-	3 981 989	3 981 989
Interest received (trading)	571 541	2 251 502	61 722	2 884 765
Licences and permits	-	-	1 144 055	1 144 055
Agency services	-	-	2 089 753	2 089 753
Operational revenue	-	-	271 824	271 824
Other income	-	-	7 010 078	7 010 078
Actuarial gains	-	-	2 746 000	2 746 000
Property rates	-	-	10 977 868	10 977 868
Interest on receivables	-	-	1 960 466	1 960 466
Transfers & subsidies	19 439 970	-	179 242 594	198 682 564
Fines, penalties and forfeits	-	-	137 567	137 567
Total segment revenue	**34 590 175**	**11 656 457**	**210 581 206**	**256 827 838**
Entity's revenue				**256 827 838**
Expenditure				
Employee related costs	3 398 834	7 421 105	78 950 199	89 770 138
Remuneration of councillors	-	-	13 389 308	13 389 308
Depreciation and amortisation	341 909	-	17 588 457	17 930 366
Finance costs	-	-	13 810	13 810
Bulk purhcases	15 030 431	-	-	15 030 431
Inventory consumed	400 108	295 032	1 538 818	2 233 958
Contracted services	744 231	142 471	23 310 920	24 197 622
Transfers and subsidies	-	-	3 696 182	3 696 182
General expenses	1 200 949	292 295	27 407 322	28 900 566
Lease rentals on operating leases	-	87 120	466 898	554 018
Loss on disposal of assets and liabilities	-	-	8 531 193	8 531 193
Impairment loss on debtors	718 422	(855 455)	4 618 134	4 481 101
Impairment loss on assets	-	-	556 684	556 684
Total segment expenditure	**21 834 884**	**7 382 568**	**180 067 925**	**209 285 377**
Total segmental surplus/(deficit)	**12 755 291**	**4 273 889**	**30 513 281**	**47 542 461**
Entity's surplus (deficit) for the period				**47 542 461**
Assets				
Current assets	179 550	(2 429 706)	122 799 493	120 549 337
Non-current assets	17 659	583 133	444 347 130	444 947 922
Total segment assets	**197 209**	**(1 846 573)**	**567 146 623**	**565 497 259**
Total assets as per Statement of financial Position				**565 497 259**
Liabilities				
Current liabilites	1 335 086	2 868 630	46 892 312	51 096 028
Non-current liabilities	-	-	13 512 000	13 512 000
Total segment liabilities	**1 335 086**	**2 868 630**	**60 404 312**	**64 608 028**
Total liabilities as per Statement of financial Position				**64 608 028**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations

Segment revenue and segment expense are based on the funtion code of the vote of the mSCOA structure.

The nature and effect of any changes from prior periods in the measurement methods used to determine reported segment surplus or deficit

The municipality deemed more reliable and will assist the users of financial statements when reporting on the function code of the mSCOA vote structure focusing on the 2 major funtional areas for service delivery in the municipality.

55. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Emalahleni Municipality is the Agent in the Principal-Agent arrangement with the Department of Transport Eastern Cape. The municipality acts as an agent by collecting the monies for motor vehicles licenses from the community and remitting them to Department of Transport. In exchange for this services, commission is received on the monies collected.

Revenue recognised

The amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 622 003 (2022: R2 089 997).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue to be received on behalf of the principal during the reporting period

Motor vehicles licenses	7 347 644	10 617 319

Entity as principal

Fee paid

Prepaid electricity vendors	259 903	285 378

Emalahleni municipality paid commission from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

55. Accounting by principals and agents (continued)

Prepaid electricity sales	9 931 402	10 488 039

Emalahleni municipality paid commission from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

There are no resources unders curatorship of the agents, nor have they been recognised as such.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

56. Budget vs actual variance explanations

Statement of Financial Performance

Perf01

The budget amount is R22 774 647 making the variance an (R4 050 599). The refuse service charges have performed above the budgeted amount due to budget being based on realistic anticipated revenues to be collected, whereas the actual amount are based on actual billing.

Perf03

Rental of facilities and equipment - The lower collection is due to decrease in number of lease contracts. The budget amount was based on the anticipated revenue collection not necessary on the receipts received

Perf04

Interest raised decreased due to a reducing in debt book caused by write-off incorrectly billed amounts.

Perf05

The Municipality received more allocation from the transferring Departments to implement the principal vs agency memorandum of understanding principles.

Perf06

The Municipality experienced extended periods of poor connectivity during the financial year where the driving licence testing centre were not able to operate as envisaged.

Perf07

The budget amount is R9 699 000 making the variance R8 599 856. This is due to construction contracts in terms of GRAP 11 that were implemented in the previous year, whereas there is less expenditure in the current year caused by progression in stages of completion.

Perf08

This is due to the absence of budget provision as the municipality did not anticipate to receive other income during the year

Perf09

The Municipality invested more funds during the year which resulted to a positive cash position. The sourced quotes were selected based on the highest interest rates.

Perf10

Decline is attributed to reversal of incorrect billing

Perf11

Interest raised increases due to increasing debt book, the budget is included in Interest received (trading).

Perf12

Increase year-on-year of grants received and the inclusion of the construction contract revenue

Perf13

Increase in traffic fines and traffic officers

Perf14

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

56. Budget vs actual variance explanations (continued)

The savings on the Employee Related costs is due to the vacant posts that have not been filled but are budgeted for.

Perf15

The over-expenditure variance under Councillors Remuneration relates to the payment for the cell phone contracts of councillors

Perf16

The over-expenditure variance under depreciation and Amortisation is due to the large number of vehicles and computer equipment that were old

Perf16.1

The debt impairment increased due non-payment and slow paying debtors and this was no budgeted for in the current year.

Perf17

The over-expenditure variance under Finance costs relates to interest on court order not paid on time, interest on over-due accounts and interest on fuel petrol cards.

Perf18

New leases entered into that were not budgeted for

Perf19

The budget amount is R2 000 000 making the variance R20 729. The minor variance of R20 729, which means bad debts are in line with the budget. On the budget it is termed debt impairment on table B4

Perf20

The under-expenditure variance under bulk purchases is due to a higher than expected usage especially during the winter months

Perf21

The significant under-expenditure variance of R9 million under contracted services is due to the municipalities commitment to reduce reliance on consultants, for example the annual financial statements are done in-house

Perf22

The over-expenditure variance under transfers and subsidies is for the allocations in kind which is mostly used when the municipality hands over tools of trade to SMMEs

Perf23

The under-expenditure variance under Inventory consumed relates to the cost of consumables purchases which were less than budgeted. Implementation of cost containment regulations also assisted with the decrease.

Perf24

No budget was provided for disposals in the current year.

Perf25

The under-expenditure variance under General expenses relates to the cost of municipal operating costs which were less than the provision

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

56. Budget vs actual variance explanations (continued)

Perf26

This is due to the absence of budget provision as the municipality did not anticipate to have an actuarial gain during the year

Statement of Financial Position

Pos01

Increased due to more reserves and interest earned.

Pos02

There was an under-estimation in Receivables from Exchange transactions

Pos03

There was no movement in other receivables and was not budgeted for.

Pos04

The Chris Hani debt write off was not budgeted for.

Pos05

There was an under-estimation in Receivables from Non-Exchange transactions. The budget is under receivables from Non-Exchange, Receivables, are not split

Pos06

VAT receivable was not budgeted for due to its unpredictable nature as it is a recovery based on the efficiency of SARS processing refunds.

Pos07

Only the additions and WIP transfers were budgeted for and not the balance sheet budgeting. It is part of the PPE budget

Pos08

Only the additions and WIP transfers were budgeted for under PPE and not the balance sheet budgeting.

Pos09

Only the additions and WIP transfers were budgeted for under PPE and not the balance sheet budgeting.

Pos10

Increase due to June accounts outstanding and retentions and sureties witheld as a major part of the variance. Payables from exchange with a budget of R153 524 000.

Pos11

Consumer deposits had a slight increase in the current year due to new connections. Current liabilities are budgeted for under Payables from exchange with a budget of R153 524 000.

Pos12

Decrease due to less staff eligible for LSA and PEMA. Current liabilities are budgeted for under

56. Budget vs actual variance explanations (continued)

Pos13

Registered MIG projects not appointed on time and the disaster management grant only received in June

Pos14

The movement in the provision is the reversal of other provision and the landfill provision for the year.

Pos15

Decrease due to less staff eligible for LSA and PEMA. Current liabilities are budgeted for under Payables from exchange with a budget of R153 524 000.

Cash Flow Statement

CF01

The movement in was budgeted for based in the actual cash to be received.

CF02

There was an increase in the capital grant allocation in line with the year-on-year increases from treasury.

CF03

There was an increase in the operational grant allocation in line with the year-on-year increases from treasury.

CF04

Interest income increased due to increase in debtors' balances.

CF05

The movement was not budgeted for in the cash flow budget.

CF06

The movement was not budgeted for in the cash flow budget.

CF08

The movement was not budgeted for in the cash flow budget but in the balance sheet budget under PPE.