



**TSWELOPELE LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the year ended 30 June 2023

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).
<b>Nature of business and principal activities</b>	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998), providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
<b>Mayoral committee</b>	
Executive Mayor	KR Phukuntsi
Councillors	MW Raseu (Speaker) JM Radienyane (EXCO member) MC Mphatsoe (Chairperson Section 79 committee) MS Baleni MM Snyer TA Soaisa EG Pretorius MA Muller SH Gaebee WM Nkomo KP Dial TS Shuping MJ Rabannye RA Potsanyane NS Twana EJ Pretorius (EXCO member)
<b>Grading of local authority</b>	2
<b>Accounting Officer</b>	K Motloung (Acting Accounting Officer)
<b>Chief Finance Officer (CFO)</b>	TJ Matyesini
<b>Registered office</b>	Civic Centre Bosman Street Bultfontein 9670
<b>Postal address</b>	P.O. Box 3 Bultfontein 9670
<b>Bankers</b>	ABSA Bank Limited Nedbank
<b>Municipal demarcation code</b>	FS183

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Index

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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:

CRR	Capital Replacement Value
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act no. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

# **TSWELOPELE LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he 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, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**K Motloung**  
**Acting Accounting Officer**

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	472 270	1 097 026
Other receivables from exchange transactions	4	2 945 529	1 675 481
Receivables from non-exchange transactions	5	20 098 203	12 781 899
VAT receivable	6	23 521 093	14 695 280
Receivables from exchange transactions	7	28 691 784	25 788 219
Cash and cash equivalents	8	10 480 743	4 579 228
		<b>86 209 622</b>	<b>60 617 133</b>
<b>Non-Current Assets</b>			
Biological assets	9	705 100	1 314 900
Investment property	10	102 570 632	104 344 880
Property, plant and equipment	11	585 515 621	552 884 805
Other financial assets	12	1 357 961	1 176 047
Receivables from non-exchange transactions	13	51 556	42 763
Receivables from exchange transactions	13	313 785	342 646
		<b>690 514 655</b>	<b>660 106 041</b>
<b>Total Assets</b>		<b>776 724 277</b>	<b>720 723 174</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	14	3 816 886	3 176 208
Finance lease obligation	15	375 888	374 094
Payables from exchange transactions	16	157 178 869	119 080 787
Consumer deposits	17	1 663 231	1 648 249
Employee benefit obligation	18	644 312	1 128 506
Unspent conditional grants and receipts	19	4 614 992	-
		<b>168 294 178</b>	<b>125 407 844</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	2 429 631	3 542 079
Finance lease obligation	15	-	375 889
Employee benefit obligation	18	7 666 794	7 707 267
Provisions	20	58 596 561	40 441 387
		<b>68 692 986</b>	<b>52 066 622</b>
<b>Total Liabilities</b>		<b>236 987 164</b>	<b>177 474 466</b>
<b>Net Assets</b>		<b>539 737 113</b>	<b>543 248 708</b>
Accumulated surplus		539 737 112	543 248 706
<b>Total Net Assets</b>		<b>539 737 112</b>	<b>543 248 706</b>

\* See Note 63 & 50

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand		2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	62 018 375	61 642 271
Rental of facilities and equipment	22	1 854 104	1 603 389
Licences and permits	23	133 405	97 103
Operational revenue	24	3 873 446	3 583 063
Interest received - investment	25	1 934 365	839 714
Dividends received	25	116 750	96 173
<b>Total revenue from exchange transactions</b>		<b>69 930 445</b>	<b>67 861 713</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	36 767 758	26 429 031
Availability charges	27	397 567	368 809
Interest - Property revenue	28	6 271 001	3 173 250
<b>Transfer revenue</b>			
Government grants & subsidies	29	173 685 563	143 919 479
Public contributions and donations		2 383 148	-
Fines, Penalties and Forfeits	30	760 550	460 500
Debt forgiveness	31	2 787 690	648 321
<b>Total revenue from non-exchange transactions</b>		<b>223 053 277</b>	<b>174 999 390</b>
<b>Total revenue</b>		<b>292 983 722</b>	<b>242 861 103</b>
<b>Expenditure</b>			
Employee related costs	32	(79 693 677)	(71 835 786)
Remuneration of councillors	33	(6 491 480)	(6 175 513)
Community donations	34	(11 119 285)	-
Depreciation and amortisation	35	(29 871 685)	(29 637 289)
Finance costs	36	(15 628 455)	(12 024 454)
Lease rentals on operating lease		(158 209)	(211 954)
Debt Impairment	37	(24 988 710)	(24 335 271)
Impairment of assets	38	(455 159)	(1 877 474)
Bulk purchases	39	(50 233 536)	(51 335 052)
Contracted services	40	(13 691 516)	(11 414 997)
General Expenses	41	(51 446 532)	(45 854 480)
<b>Total expenditure</b>		<b>(283 778 244)</b>	<b>(254 702 270)</b>
<b>Operating surplus (deficit)</b>		<b>9 205 478</b>	<b>(11 841 167)</b>
Loss on disposal of assets and liabilities		(12 708 229)	(1 652 302)
Fair value adjustments	44	181 914	144 418
Actuarial gains/losses	18	419 043	319 752
(Loss) gain on biological assets and agricultural produce		(609 800)	4 600
		<b>(12 717 072)</b>	<b>(1 183 532)</b>
<b>Deficit for the year</b>		<b>(3 511 594)</b>	<b>(13 024 699)</b>

\* See Note 63 & 50

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	539 028 812	539 028 812
Adjustments		
Correction of errors 50	17 244 593	17 244 593
<b>Balance at 01 July 2021 as restated*</b>	<b>556 273 405</b>	<b>556 273 405</b>
Changes in net assets		
Surplus for the year	(13 024 699)	(13 024 699)
Total changes	(13 024 699)	(13 024 699)
<b>Restated* Balance at 01 July 2022</b>	<b>543 248 706</b>	<b>543 248 706</b>
Changes in net assets		
Surplus for the year	(3 511 594)	(3 511 594)
Total changes	(3 511 594)	(3 511 594)
<b>Balance at 30 June 2023</b>	<b>539 737 112</b>	<b>539 737 112</b>

\* See Note 63 & 50

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	2023	2022 Restated*
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	30 962 693	37 827 441
Grants	178 300 555	143 919 479
Interest income	1 021 695	839 714
Dividends or similar distributions received	116 750	96 173
Property rates	36 871 779	30 759 082
	<u>247 273 472</u>	<u>213 441 889</u>
<b>Payments</b>		
Employee costs	(88 130 390)	(79 475 976)
Suppliers	(73 941 352)	(83 839 795)
Finance costs	(9 332 924)	(3 727 480)
	<u>(171 404 666)</u>	<u>(167 043 251)</u>
<b>Net cash flows from operating activities</b>	<b><u>75 868 806</u></b>	<b><u>46 398 638</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(68 196 485)	(52 730 641)
<b>Cash flows from financing activities</b>		
Repayments of other financial liabilities	(1 716 598)	(1 398 504)
Repayment of finance lease liabilities	(54 207)	(177 350)
<b>Net cash flows from financing activities</b>	<b><u>(1 770 805)</u></b>	<b><u>(1 575 854)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>5 901 516</u></b>	<b><u>(7 907 857)</u></b>
Cash and cash equivalents at the beginning of the year	4 579 228	12 487 087
<b>Cash and cash equivalents at the end of the year</b>	<b><u>10 480 744</u></b>	<b><u>4 579 230</u></b>

The accounting policies on pages 11 to 45 and the notes on pages 46 to 91 form an integral part of the annual financial statements.

\* See Note 63 & 50



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	69 165 000	-	<b>69 165 000</b>	62 415 942	<b>(6 749 058)</b>
Rental of facilities and equipment	347 000	40 000	<b>387 000</b>	1 854 104	<b>1 467 104</b>
Licences and permits	70 000	-	<b>70 000</b>	133 405	<b>63 405</b>
Operational revenue	2 360 000	3 410 000	<b>5 770 000</b>	3 873 446	<b>(1 896 554)</b>
Interest received - investment	1 300 000	-	<b>1 300 000</b>	1 934 365	<b>634 365</b>
Dividends received	130 000	50 000	<b>180 000</b>	116 750	<b>(63 250)</b>
<b>Total revenue from exchange transactions</b>	<b>73 372 000</b>	<b>3 500 000</b>	<b>76 872 000</b>	<b>70 328 012</b>	<b>(6 543 988)</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	27 867 000	3 500 000	<b>31 367 000</b>	36 767 758	<b>5 400 758</b>
Interest - Taxation revenue	281 000	-	<b>281 000</b>	6 271 001	<b>5 990 001</b>
<b>Transfer revenue</b>					
Transfer and subsidies	130 077 000	14 860 000	<b>144 937 000</b>	173 685 563	<b>28 748 563</b>
Donations	-	-	-	2 383 148	<b>2 383 148</b>
Fines and penalties	596 000	-	<b>596 000</b>	760 550	<b>164 550</b>
Other transfer revenue 1	-	-	-	2 787 690	<b>2 787 690</b>
<b>Total revenue from non-exchange transactions</b>	<b>158 821 000</b>	<b>18 360 000</b>	<b>177 181 000</b>	<b>222 655 710</b>	<b>45 474 710</b>
<b>Total revenue</b>	<b>232 193 000</b>	<b>21 860 000</b>	<b>254 053 000</b>	<b>292 983 722</b>	<b>38 930 722</b>
<b>Expenditure</b>					
Employee costs	(78 740 000)	(135 000)	<b>(78 875 000)</b>	(79 693 677)	<b>(818 677)</b>
Remuneration of councillors	(6 569 000)	-	<b>(6 569 000)</b>	(6 491 480)	<b>77 520</b>
Community donations	-	-	-	(11 119 285)	<b>(11 119 285)</b>
Depreciation and amortisation	(20 000 000)	-	<b>(20 000 000)</b>	(29 871 685)	<b>(9 871 685)</b>
Finance costs	(1 500 000)	(2 500 000)	<b>(4 000 000)</b>	(15 628 455)	<b>(11 628 455)</b>
Lease rentals on operating lease	-	-	-	(158 209)	<b>(158 209)</b>
Debt Impairment	(13 000 000)	-	<b>(13 000 000)</b>	(24 988 710)	<b>(11 988 710)</b>
Bad debts written off	-	-	-	(455 159)	<b>(455 159)</b>
Bulk purchases	(55 009 000)	10 943 000	<b>(44 066 000)</b>	(50 233 536)	<b>(6 167 536)</b>
Contracted Services	(26 070 000)	(14 671 000)	<b>(40 741 000)</b>	(13 691 516)	<b>27 049 484</b>
General Expenses	(36 460 000)	1 505 000	<b>(34 955 000)</b>	(51 446 532)	<b>(16 491 532)</b>
<b>Total expenditure</b>	<b>(237 348 000)</b>	<b>(4 858 000)</b>	<b>(242 206 000)</b>	<b>(283 778 244)</b>	<b>(41 572 244)</b>
<b>Operating surplus</b>	<b>(5 155 000)</b>	<b>17 002 000</b>	<b>11 847 000</b>	<b>9 205 478</b>	<b>(2 641 522)</b>
Loss on disposal of assets	-	-	-	(12 708 229)	<b>(12 708 229)</b>
Fair value adjustments	-	-	-	181 914	<b>181 914</b>
Actuarial gains/losses	-	-	-	419 043	<b>419 043</b>
Loss on biological assets	-	-	-	(609 800)	<b>(609 800)</b>
	-	-	-	<b>(12 717 072)</b>	<b>(12 717 072)</b>
<b>Deficit before taxation</b>	<b>(5 155 000)</b>	<b>17 002 000</b>	<b>11 847 000</b>	<b>(3 511 594)</b>	<b>(15 358 594)</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	753 000	(425 000)	<b>328 000</b>	472 270	<b>144 270</b>
Other receivables from exchange transactions	5 331 000	9 178 000	<b>14 509 000</b>	2 945 529	<b>(11 563 471)</b>
Receivables from non-exchange transactions	96 084 000	13 925 000	<b>110 009 000</b>	72 311 080	<b>(37 697 920)</b>
Cash and cash equivalents	16 630 000	13 545 000	<b>30 175 000</b>	10 480 743	<b>(19 694 257)</b>
	<b>118 798 000</b>	<b>36 223 000</b>	<b>155 021 000</b>	<b>86 209 622</b>	<b>(68 811 378)</b>
<b>Non-Current Assets</b>					
Biological assets	1 373 000	-	<b>1 373 000</b>	705 100	<b>(667 900)</b>
Investment property	110 039 000	-	<b>110 039 000</b>	102 570 632	<b>(7 468 368)</b>
Property, plant and equipment	568 919 000	6 604 000	<b>575 523 000</b>	585 515 621	<b>9 992 621</b>
Other financial assets	-	-	-	1 357 961	<b>1 357 961</b>
Receivables from non-exchange transactions	-	-	-	51 556	<b>51 556</b>
Receivables from exchange transactions	-	-	-	313 785	<b>313 785</b>
	<b>680 331 000</b>	<b>6 604 000</b>	<b>686 935 000</b>	<b>690 514 655</b>	<b>3 579 655</b>
<b>Total Assets</b>	<b>799 129 000</b>	<b>42 827 000</b>	<b>841 956 000</b>	<b>776 724 277</b>	<b>(65 231 723)</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Other financial liabilities	2 637 000	-	<b>2 637 000</b>	3 816 886	<b>1 179 886</b>
Finance lease obligation	-	-	-	375 888	<b>375 888</b>
Payables from exchange transactions	94 643 000	47 599 000	<b>142 242 000</b>	161 793 861	<b>19 551 861</b>
Consumer deposits	1 512 000	-	<b>1 512 000</b>	1 663 231	<b>151 231</b>
Employee benefit obligation	-	-	-	644 312	<b>644 312</b>
	<b>98 792 000</b>	<b>47 599 000</b>	<b>146 391 000</b>	<b>168 294 178</b>	<b>21 903 178</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	5 853 000	-	<b>5 853 000</b>	2 429 631	<b>(3 423 369)</b>
Employee benefit obligation	-	-	-	7 666 794	<b>7 666 794</b>
Provisions	48 602 000	-	<b>48 602 000</b>	58 596 561	<b>9 994 561</b>
	<b>54 455 000</b>	-	<b>54 455 000</b>	<b>68 692 986</b>	<b>14 237 986</b>
<b>Total Liabilities</b>	<b>153 247 000</b>	<b>47 599 000</b>	<b>200 846 000</b>	<b>236 987 164</b>	<b>36 141 164</b>
<b>Net Assets</b>	<b>645 882 000</b>	<b>(4 772 000)</b>	<b>641 110 000</b>	<b>539 737 113</b>	<b>(101 372 887)</b>
<b>Net Assets</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Accumulated surplus	645 882 000	(4 772 000)	<b>641 110 000</b>	539 737 113	<b>(101 372 887)</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services	97 561 000	-	<b>97 561 000</b>	56 172 991	<b>(41 388 009)</b>
Grants	130 092 000	14 800 000	<b>144 892 000</b>	181 088 245	<b>36 196 245</b>
Interest income	1 430 000	50 000	<b>1 480 000</b>	1 934 365	<b>454 365</b>
Other receipts	2 625 000	9 495 000	<b>12 120 000</b>	124 277	<b>(11 995 723)</b>
	<b>231 708 000</b>	<b>24 345 000</b>	<b>256 053 000</b>	<b>239 319 878</b>	<b>(16 733 122)</b>
<b>Payments</b>					
Suppliers and employees	(198 133 000)	-	<b>(198 133 000)</b>	(168 787 467)	<b>29 345 533</b>
Finance costs	(1 500 000)	-	<b>(1 500 000)</b>	(4 462 705)	<b>(2 962 705)</b>
	<b>(199 633 000)</b>	-	<b>(199 633 000)</b>	<b>(173 250 172)</b>	<b>26 382 828</b>
<b>Net cash flows from operating activities</b>	<b>32 075 000</b>	<b>24 345 000</b>	<b>56 420 000</b>	<b>66 069 706</b>	<b>9 649 706</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(38 430 000)	(10 800 000)	<b>(49 230 000)</b>	(59 989 721)	<b>(10 759 721)</b>
Proceeds from sale of property, plant and equipment	500 000	-	<b>500 000</b>	1 774 248	<b>1 274 248</b>
<b>Net cash flows from investing activities</b>	<b>(37 930 000)</b>	<b>(10 800 000)</b>	<b>(48 730 000)</b>	<b>(58 215 473)</b>	<b>(9 485 473)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	-	-	-	(1 396 712)	<b>(1 396 712)</b>
Repayment of borrowings	-	-	-	(374 092)	<b>(374 092)</b>
Other financial assets	-	-	-	(181 914)	<b>(181 914)</b>
<b>Net cash flows from financing activities</b>	-	-	-	<b>(1 952 718)</b>	<b>(1 952 718)</b>
Net increase/(decrease) in cash and cash equivalents	(5 855 000)	13 545 000	<b>7 690 000</b>	5 901 515	<b>(1 788 485)</b>
Cash and cash equivalents at the beginning of the year	22 573 000	-	<b>22 573 000</b>	4 579 228	<b>(17 993 772)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>16 718 000</b>	<b>13 545 000</b>	<b>30 263 000</b>	<b>10 480 743</b>	<b>(19 782 257)</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand

2023

2022

### 1. Presentation of Annual Financial Statements

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

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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

The municipality has an obligation to rehabilitate its landfill sites in terms of its licencing stipulations. Provision is made for this obligation based on the net present value of cost.

#### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on the pattern in which an assets' future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vice-versa.

#### Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Effective interest rate

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

#### Allowance for doubtful debts

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

### 1.5 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 1.6 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation) is classified as investment properties;
- A building that is owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases is classified as investment properties.
- A building that is vacant but is held to be leased out under one or more operating lease on a commercial basis to external parties is classified as investment properties.

The following assets do not fall in the ambit of investment properties and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generated cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families; and
- Property held for strategic purposes or service delivery.

### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Infrastructure	Straight-line	2-100 years
Community assets	Straight-line	5-100 years
Other property, plant and equipment	Straight-line	3-100 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.



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

In accordance with standards of GRAP, the landfill sites and borrowing pits (included under community assets) is depreciated over their determined remaining useful lives.

### 1.8 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- 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;
- 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.

### Classification

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

#### Class

Receivables from exchange transactions  
Cash and cash equivalents  
Other financial assets

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Financial instruments (continued)

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The amortised cost of a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

#### Gains and losses

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

#### Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Financial instruments (continued)

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

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

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

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

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.10 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. Statutory receivables can arise from both exchange and non-exchange transactions.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Statutory receivables (continued)

#### Recognition

Statutory receivables are recognised when the related revenue (exchange and non-exchange revenue) is recognised or when the receivable meets the definition of an asset.

#### 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.

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.

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.

### 1.11 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Leases (continued)

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

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

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

### 1.12 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Inventories (continued)

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

### 1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### Designation

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

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

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

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

### Identification

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use, the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### 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.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### 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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

### Identification

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

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Value in use

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

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

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

#### Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

#### Redesignation

# **TSWELOPELE LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

### Post-employment benefits



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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

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

#### **Multi-employer plans and/or State plans and/or Composite social security programmes**

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### **Post-employment benefits: Defined contribution plans**

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

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

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

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

#### **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.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 1.15 Employee benefits (continued)

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

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

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

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

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

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

The 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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

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

The 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).

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### Other post-retirement obligations

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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.

### 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.

### 1.16 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

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

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

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

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

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

A 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 46.

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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

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, a 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a present obligation that arises from past events but is not recognised because:

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

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

#### Levies

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

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

Government refers to government, government agencies and similar bodies whether local, national or international.

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

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

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

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

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.18 Revenue from exchange transactions

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

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

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

#### Measurement

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest, royalties and dividends

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.19 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.

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

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



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

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.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as revenue.

#### Measurement

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

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

#### Taxes

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 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.

#### 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.

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

#### Collection charges and penalties

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

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

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

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

Them municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Conditional grants and receipts

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.

Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and 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.

#### Services in-kind

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.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.20 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.

### 1.21 Accounting by principals and agents

#### Identification

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).

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Accounting by principals and agents (continued)

#### 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.

#### 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 it 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.

### 1.22 Discontinued operations

Discontinued operations is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

### 1.23 Comparative figures

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

Refer to notes for detail.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.24 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.

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

### 1.25 Fruitless and wasteful expenditure

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

### 1.26 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. It is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.28 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Budget information (continued)

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

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

The 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.29 Related parties

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

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

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

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

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

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

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

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

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

### 1.30 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.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.30 Events after reporting date (continued)

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.

### 1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against the accumulated surplus / deficit.

Prior year adjustments, relating to income and expenditure are debited / credited against accumulated surplus / deficit when retrospective adjustments are made.

### 1.32 Value-Added Tax (VAT)

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

### 1.33 Grants in aid

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

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

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

### 1.34 Operating expenditure

Expenses encompasses losses as well as those expenses that arise on the course of the operating activities of the municipality.

Expenses take the form of an outflow of depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense.

### 1.35 Donations made

Donations made shall be measured at fair value of the consideration paid or payable when the amount of the expenditure can be measured reliably.

Other grants and donations are recognised as expenditure when the payable meets the definition of an liability and satisfied the criteria for recognition as an liability.

If donations are made without conditions attached, expenditure is recognised immediately. If conditions are attached, a asset is recognised, which is reduced and expenditure recognised as the conditions are satisfied.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 2. New standards and interpretations

#### 2.1 Standards and interpretations 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 on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 on The effect of past decisions on materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (revised) Limit on defined benefit asset min fund requirement and interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) employee benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) financial instruments	01 April 2025	Unlikely there will be a material impact

### 3. Inventories

Water reserves	49 527	52 272
Fuel (diesel and oil)	75 464	299 330
Electrical	151 705	268 982
Mechanical	51 314	22 421
Water equipment	144 260	352 297
Road signs	-	101 724
	<b>472 270</b>	<b>1 097 026</b>

Reconciliation of 2023 movement:	Opening balance	Movement	Purchases	Issued	Total
Water reserves	52 272	(2 745)	-	-	49 527
Fuel (diesel and oil)	299 330	-	4 793 420	(5 017 286)	75 464
Electrical	268 982	-	-	(117 277)	151 705
Mechanical	22 421	-	173 460	(144 567)	51 314
Water equipment	352 297	-	-	(208 037)	144 260
Road signs	101 724	-	-	(101 724)	-
	<b>1 097 026</b>	<b>(2 745)</b>	<b>4 966 880</b>	<b>(5 588 891)</b>	<b>472 270</b>

Reconciliation of 2022 movement:	Opening balance	Movement	Purchases	Issued	Total
Water reserves	47 595	4 677	-	-	52 272
Fuel (diesel and oil)	160 860	-	2 928 404	(2 789 934)	299 330
Electrical	158 935	-	375 028	(264 981)	268 982
Mechanical	127 022	-	122 953	(227 554)	22 421
Water equipment	223 763	-	338 633	(210 099)	352 297
Water reserves	-	-	115 224	(13 500)	101 724
	<b>718 175</b>	<b>4 677</b>	<b>3 880 242</b>	<b>(3 506 068)</b>	<b>1 097 026</b>

#### Inventory pledged as security

No inventory was pledged as security during the current financial year.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022				
<b>4. Other receivables from exchange transactions</b>						
Eskom deposits	1 535 340	1 078 821				
Other receivables	1 410 189	596 660				
	<b>2 945 529</b>	<b>1 675 481</b>				
<b>5. Receivables from non-exchange transactions</b>						
<b>Gross balances</b>						
Property rates	79 942 153	57 075 029				
Availability charges	1 257 623	1 104 316				
Traffic fines	1 668 388	956 238				
	<b>82 868 164</b>	<b>59 135 583</b>				
<b>Less: Allowance for impairment</b>						
Property rates	(60 726 507)	(44 897 442)				
Availability charges	(971 032)	(853 879)				
Traffic fines	(1 072 422)	(602 363)				
	<b>(62 769 961)</b>	<b>(46 353 684)</b>				
<b>Net balances</b>						
Property rates	19 215 646	12 177 587				
Availability charges	286 591	250 437				
Traffic fines	595 966	353 875				
	<b>20 098 203</b>	<b>12 781 899</b>				
<b>Impairment reconciliation 2023</b>						
	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total		
Property rates	44 897 051	15 838 851	-	60 735 902		
Availability charges	854 270	117 153	-	971 423		
Traffic fines	602 363	470 059	-	1 072 422		
	<b>46 353 684</b>	<b>16 426 063</b>	<b>-</b>	<b>62 779 747</b>		
<b>Impairment reconciliation 2022</b>						
	Opening balance	Impairment raised	Impairment reversed / Bad debt written off	Total		
Property rates	30 210 725	14 686 326	-	44 897 051		
Availability charges	762 050	92 220	-	854 270		
Traffic fines	467 894	134 469	-	602 363		
	<b>31 440 669</b>	<b>14 913 015</b>	<b>-</b>	<b>46 353 684</b>		
<b>Ageing of impaired receivables by debt type 2023</b>						
	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	1 845 529	1 225 583	1 427 601	9 190 821	66 252 619	79 942 153
Availability charges	44 077	28 994	24 275	23 261	1 137 016	1 257 623
Traffic fines	87 171	73 275	76 190	87 268	1 344 484	1 668 388
Sub-total	1 976 777	1 327 852	1 528 066	9 301 350	68 734 119	82 868 164
Less: Allowance for impairment	(1 022 398)	(923 511)	(890 285)	(5 859 583)	(54 074 184)	(62 769 961)
	<b>954 379</b>	<b>404 341</b>	<b>637 781</b>	<b>3 441 767</b>	<b>14 659 935</b>	<b>20 098 203</b>



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand						2023	2022
<b>5. Receivables from non-exchange transactions (continued)</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total	
<b>Ageing of impaired receivables by customer group 2023</b>							
Residential	756 673	500 278	428 183	640 204	8 905 827	11 231 165	
Business	1 004 823	788 207	753 814	6 757 430	59 102 553	68 406 827	
National and provincial government	215 281	39 367	346 069	1 903 716	725 739	3 230 172	
Sub-total	1 976 777	1 327 852	1 528 066	9 301 350	68 734 119	82 868 164	
Less: Allowance for impairment	(1 022 398)	(923 511)	(890 285)	(5 859 583)	(54 074 184)	(62 769 961)	
	<b>954 379</b>	<b>404 341</b>	<b>637 781</b>	<b>3 441 767</b>	<b>14 659 935</b>	<b>20 098 203</b>	
<b>Ageing of impaired receivables by debt type 2022</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total	
Property rates	1 069 286	650 579	496 183	447 132	54 411 849	57 075 029	
Availability charges	33 501	30 735	20 649	20 166	999 265	1 104 316	
Traffic fines	32 872	94 922	81 441	141 829	605 174	956 238	
Sub-total	1 135 659	776 236	598 273	609 127	56 016 288	59 135 583	
Less: Allowance for impairment	(559 409)	(505 286)	(426 596)	(446 359)	(44 416 034)	(46 353 684)	
	<b>576 250</b>	<b>270 950</b>	<b>171 677</b>	<b>162 768</b>	<b>11 600 254</b>	<b>12 781 899</b>	
<b>Ageing of impaired receivables by customer group 2022</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total	
Residential	516 702	387 476	270 702	299 117	7 300 251	8 774 248	
Business	476 962	385 971	324 806	307 178	48 578 403	50 073 320	
National and provincial government	141 995	2 789	2 765	2 832	137 634	288 015	
Sub-total	1 135 659	776 236	598 273	609 127	56 016 288	59 135 583	
Less: Allowance for impairment	(559 409)	(505 286)	(426 596)	(446 359)	(44 416 034)	(46 353 684)	
	<b>576 250</b>	<b>270 950</b>	<b>171 677</b>	<b>162 768</b>	<b>11 600 254</b>	<b>12 781 899</b>	
<b>Receivables pas due but not impaired 2023</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total	
Property rates	903 614	368 549	603 983	3 404 757	13 934 744	19 215 647	
Availability charges	19 625	9 617	6 584	5 838	244 928	286 592	
Traffic fines	31 138	26 175	27 214	31 174	480 263	595 964	
	<b>954 377</b>	<b>404 341</b>	<b>637 781</b>	<b>3 441 769</b>	<b>14 659 935</b>	<b>20 098 203</b>	
<b>Receivables past due but not impaired 2022</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total	
Property rates	549 096	224 673	136 253	105 347	11 162 609	12 177 978	
Availability charges	14 989	11 149	5 285	4 935	213 688	250 046	
Traffic fines	12 165	35 128	30 139	52 487	223 957	353 876	
	<b>576 250</b>	<b>270 950</b>	<b>171 677</b>	<b>162 769</b>	<b>11 600 254</b>	<b>12 781 900</b>	
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>							
Property rates					19 215 646	12 177 587	
Traffic fines					595 966	353 875	
					<b>19 811 612</b>	<b>12 531 462</b>	

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 5. Receivables from non-exchange transactions (continued)

Property rates are charged based on the Municipal Rates Act, 2004 (Act no.6 of 2004) on all applicable properties under the demarcation of the municipality. The initial transactions is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

Traffic fines are charged in accordance with the National Road Traffic Act, 1996 (Act no. 93 of 1996) on road traffic offences as permitted by the legislation. The initial transaction is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

### 6. VAT receivable

VAT	23 521 093	14 695 280
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### 7. Receivables from exchange transactions

#### Gross balances

Electricity	17 945 240	16 339 949
Water	17 327 576	16 221 509
Sewerage	26 391 006	23 999 987
Refuse	17 624 404	16 525 866
Other	9 479 655	8 523 194
	<b>88 767 881</b>	<b>81 610 505</b>

#### Less: Allowance for impairment

Electricity	(7 953 831)	(7 085 203)
Water	(12 685 314)	(11 827 644)
Sewerage	(19 390 869)	(18 268 592)
Refuse	(13 569 822)	(12 756 368)
Other	(6 476 261)	(5 884 479)
	<b>(60 076 097)</b>	<b>(55 822 286)</b>

#### Net balance

Electricity	9 991 409	9 254 746
Water	4 642 262	4 393 865
Sewerage	7 000 137	5 731 395
Refuse	4 054 582	3 769 498
Other	3 003 394	2 638 715
	<b>28 691 784</b>	<b>25 788 219</b>

#### Impairment reconciliation 2023

	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total
Electricity	7 085 203	868 628	-	7 953 831
Water	11 827 644	857 670	-	12 685 314
Sewerage	18 268 592	1 122 277	-	19 390 869
Refuse	12 756 368	813 454	-	13 569 822
Other	5 884 479	591 782	-	6 476 261
	<b>55 822 286</b>	<b>4 253 811</b>	<b>-</b>	<b>60 076 097</b>

#### Impairment reconciliation 2022

	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total
Electricity	7 353 127	-	(267 924)	7 085 203
Water	11 826 583	1 061	-	11 827 644
Sewerage	18 087 516	181 076	-	18 268 592

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023			2022
<b>7. Receivables from exchange transactions (continued)</b>						
Refuse			12 849 371	-	(93 003)	12 756 368
Other			3 899 196	1 985 283	-	5 884 479
			<b>54 015 793</b>	<b>2 167 420</b>	<b>(360 927)</b>	<b>55 822 286</b>
<b>Ageing of consumer debtors by type 2023</b>	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 469 773	1 266 172	883 556	963 785	11 361 954	17 945 240
Water	521 559	416 915	322 950	291 067	15 775 085	17 327 576
Sewerage	624 655	541 474	520 869	514 617	24 189 391	26 391 006
Refuse	349 802	303 379	288 921	285 436	16 396 866	17 624 404
Other	79 917	35 934	60 267	30 235	9 273 302	9 479 655
Sub-total	5 045 706	2 563 874	2 076 563	2 085 140	76 996 598	88 767 881
Less: Allowance for impairment	(1 558 576)	(1 223 258)	(1 081 320)	(1 136 924)	(55 076 019)	(60 076 097)
	<b>3 487 130</b>	<b>1 340 616</b>	<b>995 243</b>	<b>948 216</b>	<b>21 920 579</b>	<b>28 691 784</b>
<b>Ageing of impairment consumer debtors by consumer group 2023</b>	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Residential	1 570 308	1 098 538	1 031 095	990 864	51 341 232	56 032 037
Business	2 768 297	955 640	592 999	666 140	21 987 812	26 970 888
National and provincial government	707 101	509 696	452 469	428 136	3 667 554	5 764 956
Sub-total	5 045 706	2 563 874	2 076 563	2 085 140	76 996 598	88 767 881
Less: Allowance of impairment	(1 558 576)	(1 223 258)	(1 081 320)	(1 136 924)	(55 076 019)	(60 076 097)
	<b>3 487 130</b>	<b>1 340 616</b>	<b>995 243</b>	<b>948 216</b>	<b>21 920 579</b>	<b>28 691 784</b>
<b>Ageing of consumer debtors by type 2022</b>	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	4 454 201	2 359 463	1 071 073	905 557	7 549 657	16 339 951
Water	1 148 799	326 071	291 840	298 550	14 156 250	16 221 510
Sewerage	1 246 385	596 625	452 127	435 197	21 269 652	23 999 986
Refuse	1 045 595	327 941	314 776	300 948	14 536 605	16 525 865
Other	1 980 592	24 893	16 409	15 603	6 485 697	8 523 194
Sub-total	9 875 572	3 634 993	2 146 225	1 955 855	63 997 861	81 610 506
Less: Allowance of impairment	(4 952 360)	(1 583 590)	(1 231 359)	(1 161 581)	(46 893 396)	(55 822 286)
	<b>4 923 212</b>	<b>2 051 403</b>	<b>914 866</b>	<b>794 274</b>	<b>17 104 465</b>	<b>25 788 220</b>
<b>Ageing of impairment consumer debtors by consumer group 2022</b>	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Residential	4 552 662	1 663 812	1 129 628	1 057 107	46 098 882	54 502 091
Business	4 712 190	1 630 963	768 338	639 816	16 162 398	23 913 705
National and provincial government	610 720	340 217	248 259	258 932	1 736 581	3 194 709
Sub-total	9 875 572	3 634 992	2 146 225	1 955 855	63 997 861	81 610 505
Less: Allowance for impairment	(4 952 360)	(1 583 590)	(1 231 359)	(1 161 581)	(46 893 396)	(55 822 286)
	<b>4 923 212</b>	<b>2 051 402</b>	<b>914 866</b>	<b>794 274</b>	<b>17 104 465</b>	<b>25 788 219</b>
<b>Consumer debt past due but not impaired 2023</b>	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	2 657 584	804 369	516 370	526 290	5 486 796	9 991 409
Water	279 598	178 861	127 382	103 231	3 953 190	4 642 262
Sewerage	302 570	238 151	223 357	217 061	6 018 998	7 000 137
Refuse	133 645	90 842	80 431	76 339	3 673 325	4 054 582

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 7. Receivables from exchange transactions (continued)

Other	113 732	28 394	47 703	25 295	2 788 270	3 003 394
	<b>3 487 129</b>	<b>1 340 617</b>	<b>995 243</b>	<b>948 216</b>	<b>21 920 579</b>	<b>28 691 784</b>

### Consumer debt past due but not impaired 2022

	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 326 961	1 616 867	590 037	479 806	3 241 075	9 254 746
Water	452 677	114 716	89 334	94 915	3 642 224	4 393 866
Sewerage	294 119	207 980	143 800	134 966	4 950 531	5 731 396
Refuse	216 164	96 001	83 900	77 175	3 296 259	3 769 499
Other	633 291	15 839	7 796	7 412	1 974 376	2 638 714
	<b>4 923 212</b>	<b>2 051 403</b>	<b>914 867</b>	<b>794 274</b>	<b>17 104 465</b>	<b>25 788 221</b>

### Collection rate of consumer receivables (average days)

Electricity	12,60	1,16
Water	77,93	20,15
Sewerage	132,25	29,35
Refuse	99,56	29,58
Other	188,34	131,30
	<b>510,68</b>	<b>211,54</b>

### Consumer debtors pledged as security

No Consumer debtors have been pledged as security.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 919	4 919
Bank balances	1 285 037	694 108
Short-term deposits	9 190 787	3 880 201
	<b>10 480 743</b>	<b>4 579 228</b>

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng	1 100 000	1 100 000
Limited cession to secure the guarantee of R1 100 000 over account 9108352550	1 520 000	1 520 000

### 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
ABSA Bank - Cheque - 8101422227	1 295 834	553 758	4 545 754	1 285 037	694 108	4 563 826
ABSA Bank - Money Market - 9108352550	8 003 463	1 778 730	1 617 827	8 003 464	1 778 730	1 617 827
ABSA Bank - Investment Account - 9310197560	89 342	49 318	10 567	89 342	49 318	10 567
Standard Bank - Investment Account - 398478066003	-	-	3 991 334	-	-	3 991 334

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023		2022	
<b>8. Cash and cash equivalents (continued)</b>						
ABSA Bank - Investment Account - 4094721884	-	-	80 835	-	-	80 835
ABSA Bank - Investment Account - 9359158036	-	-	2 182 370	-	-	2 182 370
Petty cash on hand	-	-	-	4 919	4 919	4 900
Standard Bank - Investment Account - 398478066004	-	-	7 853	-	-	7 853
Standard Bank - Investment Account - 398478066006	-	-	27 575	-	-	27 575
Standard Bank - Investment Account - 398478066014	-	2 052 153	-	-	2 052 153	-
Nedbank - Call Deposit - 03/7662023052/9	1 097 981	-	-	1 097 981	-	-
<b>Total</b>			<b>10 486 620</b>	<b>4 433 959</b>	<b>12 464 115</b>	<b>10 480 743</b>
			<b>4 579 228</b>		<b>12 487 087</b>	

Cash at banks earns interest at floating rates based on the daily bank deposit rates.

Short term deposits are made for varying periods, depending on the immediate cash requirements, earn interest at the respective short-term deposit rate.

The municipality has a fleet card facility of R100 000 (2022:R23 000.)

### 9. Biological assets

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	705 100	-	705 100	1 314 900	-	1 314 900

#### Reconciliation of biological assets - 2023

	Opening balance	Increase/Decrease due to assets acquired through a non-exchange transaction	Decrease due to assets acquired through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Game	1 314 900	1 200	(601 500)	(9 500)	705 100

#### Reconciliation of biological assets - 2022

	Opening balance	Increase/Decrease due to assets acquired through a non-exchange transaction	Decrease due to assets lost through a non-exchange transaction	Total
Game	1 310 300	(53 500)	58 100	1 314 900

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Biological assets (continued)</b>		
<b>Non-financial information</b>		
<b>Quantities of each biological asset</b>		
Blesbuck	118	194
Oryx	35	53
Kudu	4	6
Impala	19	20
Red Hartebeest	15	22
Springbuck	96	174
Black Springbuck	17	23
Black Wildebeest	84	255
Ostrich	5	3
Zebra	6	19
Horses	18	9
	<b>417</b>	<b>778</b>

### Pledged as security

No biological assets have been pledged as security.

### Methods and assumptions used in determining fair value

The fair value of game was based on trends during various game auctions held, they are based on breeding groups and not on trophy or non-trophy animals.

### 10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	102 570 632	-	102 570 632	104 344 880	-	104 344 880

### Reconciliation of investment property - 2023

	Opening balance	Derecognition	Total
Investment property	104 344 880	(1 774 248)	102 570 632

### Reconciliation of investment property - 2022

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	104 894 227	(570 142)	20 795	104 344 880

### Pledged as security

No investment properties have been pledged as security.

### Details of valuation

During the year no valuation of investment property was performed by the municipality.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 11. 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	33 861 043	-	33 861 043	33 931 828	-	33 931 828
Other property, plant and equipment - under construction	759 737 963	(372 647 166)	387 090 797	712 321 978	(363 590 599)	348 731 379
Infrastructure						
Community	163 701 041	(100 805 603)	62 895 438	165 691 554	(98 837 367)	66 854 187
Other property, plant and equipment	25 979 159	(14 686 298)	11 292 861	23 287 573	(14 505 641)	8 781 932
Infrastructure - under construction	90 375 482	-	90 375 482	94 585 479	-	94 585 479
<b>Total</b>	<b>1 073 654 688</b>	<b>(488 139 067)</b>	<b>585 515 621</b>	<b>1 029 818 412</b>	<b>(476 933 607)</b>	<b>552 884 805</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	33 931 828	-	-	-	-	-	(70 785)	33 861 043
Infrastructure	348 731 379	2 530 331	(9 620 937)	54 578 911	13 692 467	(22 504 426)	(316 928)	387 090 797
Community	66 854 187	-	(986 209)	-	3 121 974	(5 880 816)	(213 698)	62 895 438
Other property, plant and equipment	8 781 932	4 177 955	(163 199)	-	-	(1 486 442)	(17 385)	11 292 861
Infrastructure - under construction	94 585 479	64 601 217	-	(57 691 929)	(11 119 285)	-	-	90 375 482
	<b>552 884 805</b>	<b>71 309 503</b>	<b>(10 770 345)</b>	<b>(3 113 018)</b>	<b>5 695 156</b>	<b>(29 871 684)</b>	<b>(618 796)</b>	<b>585 515 621</b>

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	33 931 828	-	-	-	-	-	-	33 931 828
Other property, plant and equipment - under construction	53 364	19 651	-	(73 015)	-	-	-	-
Infrastructure	365 102 753	116 753	(261 944)	12 477 099	(4 110 058)	(22 728 070)	(1 865 154)	348 731 379
Community	73 411 356	-	(205 730)	-	-	(6 293 983)	(57 456)	66 854 187
Other property, plant and equipment	8 893 789	2 910 157	(1 136 542)	-	-	(1 859 905)	(25 567)	8 781 932
Infrastructure - under construction	57 305 483	49 830 109	-	(12 550 113)	-	-	-	94 585 479
	<b>538 698 573</b>	<b>52 876 670</b>	<b>(1 604 216)</b>	<b>(146 029)</b>	<b>(4 110 058)</b>	<b>(30 881 958)</b>	<b>(1 948 177)</b>	<b>552 884 805</b>

#### Pledged as security

No property, plant and equipment has been pledged as security.

#### Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment 368 427 742 850

#### Reconciliation of Work-in-Progress 2023



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>11. Property, plant and equipment (continued)</b>		
	Included within Infrastructure	Total
Opening balance	94 585 479	94 585 479
Additions/capital expenditure	64 601 217	64 601 217
Expensed	(11 119 285)	(11 119 285)
Transferred to completed items	(57 691 929)	(57 691 929)
	<b>90 375 482</b>	<b>90 375 482</b>

### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	57 252 120	53 364	57 305 484
Additions/capital expenditure	49 533 695	19 651	49 553 346
Transferred to completed items	(12 477 099)	(73 015)	(12 550 114)
Retentions	276 763	-	276 763
	<b>94 585 479</b>	<b>-</b>	<b>94 585 479</b>

### Contractual commitments 2023

	Infrastructure assets	Community infrastructure	Total
Commitments to construct or develop property, plant and equipment	48 523 704	287 799	48 811 503

### Contractual commitments 2022

	Infrastructure assets	Community infrastructure	Total
Commitments to construct or develop property, plant and equipment	37 676 273	809 672	38 485 945

### Reconciliation of (gain)/loss on disposal of assets and liabilities

Cost price	28 102 277	6 279 719
Accumulated depreciation and impairment	(17 168 291)	(4 675 504)
	10 933 986	1 604 215
Proceeds from disposals	-	(93 914)
De-recognition of finance lease liability	-	(333 465)
	<b>10 933 986</b>	<b>1 176 836</b>

Loss on disposal of assets consists of the following:

Infrastructure R9 784 574

Community R986 209

Other property, plant and equipment R163 199

Management in the process of investigations of the infrastructure disposals for consequence management.

### Land

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

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Other financial assets</b>		
<b>Designated at fair value</b>		
Unlisted shares	1 357 961	1 176 047
49 383 Senwes shares at R15.00 per share (2022: R14.00)		
75 732 Senwesbel shares at 8.15 per share (2022: R6.40)		
<b>Non-current assets</b>		
Designated at fair value	1 357 961	1 176 047

### 13. Receivables from exchange transactions

The following receivables from exchange and non-exchange transactions were reclassified from current assets to non-current assets due to the consumers having payment arrangements with the municipality.

Consumer debtors - 2023	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	71 570	-	71 570
Electricity	163 179	-	163 179
Refuse	34 861	-	34 861
Sewerage	44 175	-	44 175
Property rates	-	51 556	51 556
	<b>313 785</b>	<b>51 556</b>	<b>365 341</b>

Consumer debtors - 2022	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Water	58 363	-	58 363
Electricity	228 410	-	228 410
Refuse	22 996	-	22 996
Sewerage	29 833	-	29 833
Other	3 044	-	3 044
Property rates	-	42 763	42 763
	<b>342 646</b>	<b>42 763</b>	<b>385 409</b>

Ageing of non-current consumer debtors 2023	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Water	7 141	4 648	3 181	2 573	54 027	71 570
Electricity	3 968	5 328	4 366	4 492	145 025	163 179
Refuse	1 305	1 176	1 167	1 167	30 046	34 861
Sewerage	1 875	1 673	1 678	1 678	37 271	44 175
Property rates	5 474	4 582	4 552	4 563	32 385	51 556
	<b>19 763</b>	<b>17 407</b>	<b>14 944</b>	<b>14 473</b>	<b>298 754</b>	<b>365 341</b>

Ageing of non-current consumer debtors 2022	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Water	3 519	3 891	5 042	3 913	41 998	58 363
Electricity	27 363	19 081	24 925	17 424	139 618	228 410
Refuse	1 556	1 386	1 257	1 146	17 650	22 995
Sewerage	2 077	1 830	1 615	1 566	22 745	29 833
Other	2 628	290	126	-	-	3 044
Property rates	4 224	3 672	3 675	3 477	27 715	42 763
	<b>41 367</b>	<b>30 150</b>	<b>36 640</b>	<b>27 526</b>	<b>249 726</b>	<b>385 409</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Other financial liabilities</b>		
<b>At amortised cost</b>		
Annuity loans	6 246 517	6 718 287
The annuity loan comprises a Development Bank of Southern Africa loan. The endowments are made on a six-monthly basis. The loan will be redeemed on the 31st of December 2024. The loan carries interest at 11.9% per annum.		
<b>Non-current liabilities</b>		
At amortised cost	2 429 631	3 542 079
<b>Current liabilities</b>		
At amortised cost	3 816 886	3 176 208
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	394 254	430 095
- in second to fifth year inclusive	-	394 254
	394 254	824 349
less: future finance charges	(18 366)	(74 366)
<b>Present value of minimum lease payments</b>	<b>375 888</b>	<b>749 983</b>
Non-current liabilities	-	375 889
Current liabilities	375 888	374 094
	<b>375 888</b>	<b>749 983</b>
It is municipality policy to lease copiers under finance leases.		
The average lease term was 3 years and the average effective borrowing rate was 1% (2022: 1%).		
Interest rates are fixed at the contract date. All leases have fixed repayments.		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.		
Carrying amount of assets under the finance lease	368 427	742 820
<b>16. Payables from exchange transactions</b>		
Trade payables	130 239 435	92 080 195
Payments received in advanced	1 307 011	1 816 781
Accrued leave pay	10 788 667	9 534 093
Accrued bonus	2 091 056	1 733 534
Salary control account	166 150	2 592 290
Accrued councillor backpay	-	117 681
Deposits received	2 398 810	2 227 387
Retention payables	4 348 975	3 430 896
Cash suspense account	5 838 765	5 547 930
	<b>157 178 869</b>	<b>119 080 787</b>
<b>Salary control account consists of the following amounts:</b>		
PAYE liability	-	689 728
UIF liability (receivable)	-	75 741
SDL liability	-	54 949
Provident fund liability	-	44 525
Pension fund liability	-	898 923

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Payables from exchange transactions (continued)</b>		
Personal insurance liability	-	333 141
Directors remuneration accrual - New gazette	163 588	-
Other	2 562	495 356
	<b>166 150</b>	<b>2 592 363</b>

### 17. Consumer deposits

Electricity	1 261 131	1 256 584
Water	402 100	391 665
	<b>1 663 231</b>	<b>1 648 249</b>

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

### 18. Employee benefit obligations

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

#### Carrying value

Present value of the post-employment medical aid liability	(3 683 014)	(4 460 975)
Present value of the long service awards liability	(4 628 092)	(4 374 798)
	<b>(8 311 106)</b>	<b>(8 835 773)</b>
Non-current liabilities	(7 666 794)	(7 707 267)
Current liabilities	(644 312)	(1 128 506)
	<b>(8 311 106)</b>	<b>(8 835 773)</b>

Changes in the present value of the post-employment medical aid liability is as follows:

Opening balance	4 460 985	4 758 388
Current interest cost	482 171	388 667
Benefits paid	(542 943)	(530 246)
Actuarial	(717 189)	(155 824)
	<b>3 683 024</b>	<b>4 460 985</b>

Changes in the present value of the long service awards liability is as follows:

Opening balance	4 374 798	4 185 988
Current service cost	368 188	380 040
Interest cost	482 171	321 720
Benefits paid	(838 753)	(349 032)
Actuarial (gain)/loss	298 146	(163 918)
	<b>4 684 550</b>	<b>4 374 798</b>

Net expense recognised in the statement of financial performance

Current service cost	(1 013 508)	(499 238)
Interest cost	907 884	710 387
Actuarial (gain)/loss	(419 043)	(319 752)
	<b>(524 667)</b>	<b>(108 603)</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 18. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

#### Post-employment medical aid liability

Discount rates used	9,18 %	11,32 %
Consumer price inflation	4,97 %	7,32 %
Health care cost inflation	6,47 %	8,82 %
Net discount rate	2,55 %	2,30 %
Average age (years)	77,57	76,17
Average employer monthly contribution (R)	6 484,00	3 982,00
Expected pension increases	5,64 %	7,21 %
Proportion of employees opting for early retirement	6,64 %	8,21 %
Expected increase in healthcare costs	3,32 %	2,03 %

#### Long service awards liability

Discount rate	10,81 %	10,41 %
Consumer price inflation (CPI)	5,64 %	7,21 %
Salary increase rate	6,64 %	8,21 %
Net discount rate	3,32 %	2,03 %
Number of employees	209	197
Average annual salary	201 673	187 657
Average age (years)	47,91	47,78
Average past service (years)	13,81	13,96

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 of 10,18% per annum. The yield of inflation-linked bonds of similar term is 4,30% per annum. This implies an underlying expectation of inflation of 5,64% per annum.

The valuation basis assume that the salary inflation rate would exceed general inflation by 1,00% per annum, i.e. 2,03% per annum. The effect of a 1% increase and decrease in the salary inflation rates is as follows:

Salary increase rate	1% decrease (R)	30 June 2023 valuation basis (R)	1% increase (R)
Employer's accrued liability	4 406 841	4 628 092	4 869 054
Employer's current service cost	403 192	425 717	450 451
Employer's interest cost	407 852	430 376	454 905
	<b>5 217 885</b>	<b>5 484 185</b>	<b>5 774 410</b>

#### Post-employment medical aid liability

The discount is determined by using the Bond Zero Coupon Yield Curve as at 30 June 2023 of 9,18% per annum. The yield of inflation-linked bonds of a similar term is 4,01% per annum. This implies an underlying expectation of inflation of 4,97% per annum.

The valuation results are sensitive to changes in the underlying assumptions. The effect of a 1% increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation rate	1% decrease (R)	30 June 2023 valuation basis (R)	1% increase (R)
Employer's accrued liability	3 435 596	3 683 014	3 962 404
Interest cost	309 581	333 249	359 954
	<b>3 745 177</b>	<b>4 016 263</b>	<b>4 322 358</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	4 012 745	-
Low Voltage Grant	581 731	-
Water Services Infrastructure Grant	20 516	-
	<b>4 614 992</b>	<b>-</b>

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

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

### 20. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	40 441 387	13 692 467	4 462 707	58 596 561

#### Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	39 195 480	(5 397 367)	6 643 274	40 441 387

#### Environmental rehabilitation provision

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of the rehabilitation is in 2035 for the Bultfontein site and 2036 for the Hoopstad site, and therefore the expected remaining useful life is estimated at 12 and 13 years respectively as at the beginning of the period.

It is assumed that the population growth of the town is correct and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings for the municipality is 11.03% (2022: 9,10%) and this percentage was used as a discount factor for future rehabilitation costs. The evaluation of the rehabilitation procedures and costs was performed by Aiden Bowers (Pr.Eng).

Estimations used in the calculation of the provisions are as follows:

#### 30 June 2023

	Bultfontein	Hoopstad
Discount rate used	11,03	11,03
Rehabilitation area (m2)	122 382	115 709
Rehabilitation cost excl. VAT	49 632 620	41 786 929
Unit costs (R/m2)	436,00	475,00

#### 30 June 2022

	Bultfontein	Hoopstad
Discount rate used	9,39 %	9,39 %
Rehabilitation area (m2)	126 000	124 500
Rehabilitation cost excl. VAT	17 880 614	3 062 011
Unit costs (R/m2)	141,10	245,95

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>21. Service charges</b>		
Sale of electricity	46 385 375	46 148 308
Sale of water	5 279 052	5 594 506
Sewerage and sanitation charges	6 599 209	6 008 235
Refuse removal	3 754 739	3 891 222
	<b>62 018 375</b>	<b>61 642 271</b>
<b>22. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1 834 647	1 601 408
Rental of equipment	19 457	1 981
	<b>1 854 104</b>	<b>1 603 389</b>
<b>23. Licences and permits</b>		
Licences and permits	133 405	97 103
<b>24. Other income</b>		
Insurance revenue	2 506 445	1 103 310
Commission received	321 985	305 351
Grave fees	377 477	507 981
Gravel sales	10 876	2 747
Special meter reading	-	1 281
Building plan fees	24 771	23 810
Connection fees	48 921	166 759
Sundry income	107 461	168 814
Meter tampering fees	29 829	260 399
Zoning application fees	11 977	3 478
Tender documentation	293 639	96 130
Scrap sales	-	457 826
Installation fees	-	335 160
Discount received	-	18 013
Recoveries	140 065	132 004
	<b>3 873 446</b>	<b>3 583 063</b>
<b>25. Investment revenue</b>		
<b>Dividend revenue</b>		
Unlisted financial assets - Local	116 750	96 173
<b>Interest revenue</b>		
Interest received - ABSA Call Account	144 251	44 568
Interest received - Investment accounts	1 731 595	760 709
Interest received - Eskom deposits	58 519	34 437
<b>Interest received - investments</b>	<b>1 934 365</b>	<b>839 714</b>
<b>Investment revenue</b>	<b>2 051 115</b>	<b>935 887</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Property rates</b>		
<b>Rates received</b>		
Property rates	36 767 758	26 429 031
<b>Properties as per billing category</b>		
Agricultural	20 487 076	9 432 871
Business	4 579 692	2 548 014
Government	4 517 087	9 767 702
Residential	6 891 409	4 587 212
Vacant properties	292 494	93 232
	<b>36 767 758</b>	<b>26 429 031</b>
<b>27. Availability charges</b>		
Electricity	249 742	230 368
Sewerage	68 159	63 927
Water	79 666	74 514
	<b>397 567</b>	<b>368 809</b>
<b>28. Interest from non-exchange receivables</b>		
Interest - Property rates	6 271 001	3 173 250
<b>29. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	91 219 000	81 535 000
Expanded Public Works Programme Grant	1 141 000	985 000
Financial Management Grant	2 100 000	2 100 000
	<b>94 460 000</b>	<b>84 620 000</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	25 340 895	17 192 000
Low Voltage Grant	3 418 269	-
Regional Bulk Infrastructure Grant	33 210 915	30 107 479
Water Services Infrastructure	12 255 484	12 000 000
Department of Mineral Resources and Energy	5 000 000	-
	<b>79 225 563</b>	<b>59 299 479</b>
	<b>173 685 563</b>	<b>143 919 479</b>
<b>Equitable Share</b>		
The municipality received R91 219 000 as Equitable Share during the 2022/23 financial year as compared to the Gazette. No amount was withheld in the current year.		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	29 353 640	17 192 000
Conditions met - transferred to revenue	(25 340 895)	(17 192 000)
	<b>4 012 745</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 29. Government grants & subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### Financial Management Grant

Current-year receipts	2 100 000	2 100 000
Conditions met - transferred to revenue	(2 100 000)	(2 100 000)
	<u>-</u>	<u>-</u>

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met and no funds were withheld.

#### Expanded Public Works Programme Grant

Current-year receipts	1 141 000	985 000
Conditions met - transferred to revenue	(1 141 000)	(985 000)
	<u>-</u>	<u>-</u>

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All the conditions of the grant were met and no funds were withheld.

#### Regional Bulk Infrastructure Grant

Current-year receipts	33 210 915	30 107 479
Conditions met - transferred to revenue	(33 210 915)	(30 107 479)
	<u>-</u>	<u>-</u>

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries of large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects; to facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

All the conditions of the grant were met and no funds were withheld.

#### Water Services Infrastructure Grant

Current-year receipts	12 276 000	12 000 000
Conditions met - transferred to revenue	(12 255 484)	(12 000 000)
	<u>20 516</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
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### 29. Government grants & subsidies (continued)

#### Low Voltage Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(3 418 268)	-
	<b>581 732</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

Moving of smart meters from inside the houses of the municipalities servitude.

#### Department of Mineral Resources and Energy

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(5 000 000)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

Energy effective oriented project. Retrofitting of old conventional lights to LED lights.

### 30. Fines, Penalties and Forfeits

Traffic fines	760 550	460 500
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### 31. Debt forgiveness

Provincial Treasury	2 787 690	648 321
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According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor-General equal to 1% of their total expenditures per annum. The balance of the audit fees is payable by Treasury.

### 32. Employee related costs

Basic	48 867 191	42 640 792
Medical aid - company contributions	4 732 131	4 383 849
UIF	447 364	429 282
SDL	610 848	546 946
Leave pay provision charge	1 847 916	1 123 336
Defined contribution plans	7 575 648	7 015 056
Travel, motor car and other allowances	4 398 976	4 477 842
Overtime payments	3 985 564	4 067 553
Long-service awards	368 188	393 402
Prorata bonus and bonus accrual	357 522	4 971
Housing benefits and allowances	617 343	598 143
Other short-term costs	27 497	25 843
Cellphone allowance	168 940	111 080
Standby allowance	1 244 063	1 319 638
	<b>75 249 191</b>	<b>67 137 733</b>

Included in the directors remuneration detailed below is back pay that was paid out during the current financial period in accordance with Gazette no. 47538 for the 2021/22 financial period as well as an accrual of back pay according to Gazette NO. 48789 to be settled in the 2023/2024 financial period.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
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### 32. Employee related costs (continued)

#### Remuneration of Municipal Manager (MRE Mogopodi)

Annual remuneration	12 884	589 588
Car allowance	-	63 189
Annual bonus	-	48 766
Contributions to UIF, medical and pension funds	-	163 477
Cellphone allowance	-	34 000
Leave pay	-	320 483
Other costs	17 465	46 517
	<b>30 349</b>	<b>1 266 020</b>

The contract of the Municipal Manager, MRE Mogopodi, ended 30 April 2022. Current period remuneration consist of the back pay for the active period.

K Motlounge, seconded from GOGTA, has been appointed Acting Municipal Manager effective 5 June 2023.

During the period the following Senior Managers acted as Municipal Manager:

- DP Dikoko acted from 01/07/2023 to 31/08/2022
- MJ Mahlanyane from 01/09/2022 to 30/11/2022
- TJ Matyesini from 01/12/2022 to 31/05/2023

#### Remuneration of Chief Finance Officer (TJ Matyesini)

Annual remuneration	735 249	633 382
Car allowance	95 789	94 736
Annual bonus	58 868	52 782
Contributions to UIF, medical and pension funds	192 038	172 132
Cellphone allowance	40 800	40 800
Other costs	215 773	46 558
	<b>1 338 517</b>	<b>1 040 390</b>

#### Remuneration of Director Community Services (MJ Mahlanyane)

Annual remuneration	722 019	621 530
Car allowance	95 766	96 000
Annual bonus	57 956	51 794
Contributions to UIF, medical and pension funds	206 205	183 709
Cellphone allowance	40 800	40 800
Other costs	-	46 215
Other	141 830	-
	<b>1 264 576</b>	<b>1 040 048</b>

#### Remuneration of Director Technical Services (BP Dikoko)

Annual remuneration	190 908	896 297
Car allowance	15 397	90 671
Annual bonus	-	74 691
Contributions to UIF, medical and pension funds	39 723	238 662
Cellphone allowance	6 800	40 800
Other costs	261 269	10 474
	<b>514 097</b>	<b>1 351 595</b>

The contract of BP Dikoko ended 31 August 2022. An Acting Director Technical Services, LS Malokase was appointed effective September 2022 until 31 May 2023.

# TSWELOPELE LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 32. Employee related costs (continued)

#### Remuneration of Director Corporate Services (SS Rabanye)

Annual remuneration	890 918	-
Bonus	71 622	-
Car allowance	96 000	-
Cellphone allowance	40 800	-
Other costs	23 405	-
Other	74 670	-
	<b>1 197 415</b>	<b>-</b>

#### Remuneration of Director Technical Services (LS Malokase)

Annual remuneration	82 634	-
Car allowance	8 000	-
Cellphone allowance	3 400	-
Contributions to UIF, Medical and Pension Funds	177	-
Other costs	5 321	-
	<b>99 532</b>	<b>-</b>

LS Malokase was appointed as Director Technical Services on 1 June 2023.

#### Total employee related costs

Employee costs	75 249 191	67 137 733
Remuneration of Municipal Manager	30 349	1 266 020
Remuneration of Chief Financial Officer	1 338 517	1 040 390
Remuneration of Director Community Services	1 264 576	1 040 048
Remuneration of Director Technical Services (DP Dikoko)	514 097	1 351 595
Remuneration of Director Corporate Services	1 197 415	-
Remuneration of Director Technical Services (LS Malokase)	99 532	-
	<b>79 693 677</b>	<b>71 835 786</b>

### 33. Remuneration of councillors

Councillors remuneration	5 161 173	4 929 830
SDL	60 170	55 843
Medical aid contributions	177 591	226 402
Pension fund contributions	337 746	243 911
Cellphone and data allowance	754 800	719 527
	<b>6 491 480</b>	<b>6 175 513</b>

#### In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

A new Government gazette No. 46470 for the determination of upper limits of salaries, allowances and benefits of different members of Municipal Councils was issued on 02 June 2022 affecting remuneration of Municipal Councils from 1 July 2021. In terms of the Government Gazette, before the salaries, allowance and benefits are paid, there must be a concurrence from the Member of the Executive Committee (MEC) responsible for local government giving effect to these salaries. Thereafter a council resolution must be obtained for the implementation of this gazette. The concurrence by the MEC was issued on 23 June 2022 and the Council resolved on 27 July 2022 that the government gazette be implemented effective August 2022.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 33. Remuneration of councillors (continued)

An accrual of R117 609 is included in Councillors remuneration in the 2022 financial period.

2023	Allowance	Cellphone allowance	Data allowance	SDL	Total
Mayor - KR Phukuntsi	830 212	40 800	3 600	8 903	883 515
Speaker - MW Raseu	664 199	40 800	3 600	5 666	714 265
Part-time EXCO member - JM Radienyane	346 811	40 800	3 600	3 169	394 380
Part-time Chairperson Sec 79 - MC Mphatsoe	337 062	40 800	3 600	3 095	384 557
Part-time councillor - MM Snyder	262 808	40 800	3 600	3 148	310 356
Part-time councillor - MS Baleni	261 528	40 800	3 600	2 586	308 514
Part-time councillor TA Soaisa	262 744	40 800	3 600	3 198	310 342
Part-time councillor - EG Pretorius	262 744	40 800	3 600	3 129	310 273
Part-time councillor - MA Muller	262 744	40 800	3 600	3 121	310 265
Part-time councillor - SH Gaebee	262 744	40 800	3 600	3 121	310 265
Part-time councillor - WM Nkomo	262 744	40 800	3 600	3 121	310 265
Part-time councillor - KP Dial	262 744	40 800	3 600	2 723	309 867
Part-time councillor - TS Shuping	262 744	40 800	3 600	3 121	310 265
Part-time councillor - MJ Rabannye	262 452	40 800	3 600	2 510	309 362
Part-time councillor - RA Potsanyane	262 452	40 800	3 600	2 513	309 365
Part-time councillor - NS Twana	262 807	40 800	3 600	3 110	310 317
Part-time EXCO member - EJ Pretorius	346 968	40 800	3 600	3 939	395 307
	<b>5 676 507</b>	<b>693 600</b>	<b>61 200</b>	<b>60 173</b>	<b>6 491 480</b>

2022	Allowance	Cellphone allowance	Data allowance	SDL	Total
<b>Current serving council</b>					
Mayor - KR Phukuntsi	521 793	26 293	2 320	5 504	555 910
Speaker - MW Raseu	644 853	40 800	3 600	5 373	694 626
Part-time EXCO member - JM Radienyane	203 992	26 293	2 320	2 130	234 735
Part-time EXCO member - WS Swart (Resigned March 2022)	134 005	16 093	1 420	1 515	153 033
Part-time Chairperson Sec 79 - MC Mphatsoe	195 243	26 293	2 320	2 176	226 032
Part-time councillor - MM Snyder	253 247	40 800	3 600	2 977	300 624
Part-time councillor - MS Baleni	289 328	40 800	3 600	2 707	336 435
Part-time councillor TA Soaisa	255 091	40 800	3 600	3 008	302 499
Part-time councillor - EG Pretorius	191 318	30 600	2 700	2 246	226 864
Part-time councillor - MA Muller	165 129	26 293	2 320	1 937	195 679
Part-time councillor - MJ Noosi (Resigned December 2021)	37 583	5 893	520	440	44 436
Part-time councillor - SH Gaebee	165 129	26 293	2 320	1 937	195 679
Part-time councillor - WM Nkomo	165 129	26 293	2 320	1 937	195 679
Part-time councillor - KP Dial	165 129	26 293	2 320	1 840	195 582
Part-time councillor - TS Shuping	165 129	26 293	2 320	1 937	195 679
Part-time councillor - MJ Rabannye	165 129	26 293	2 320	1 792	195 534
Part-time councillor - RA Potsanyane	165 129	26 293	2 320	1 792	195 534
Part-time councillor - NS Twana	125 420	20 400	1 800	1 476	149 096
Part-time EXCO member - EJ Pretorius	84 315	10 200	900	954	96 369
<b>Served in previous council</b>					
Mayor - FT Matsholo	288 034	14 507	1 280	3 039	306 860
Chairperson Sec 79 committee - BP Eseu	116 979	14 507	1 280	1 055	133 821
Part-time EXCO member - C Horn	56 210	6 800	600	636	64 246
Part-time councillor - TT Taedi	91 153	14 507	1 280	1 069	108 009
Part-time councillor - MS Bonokwane	91 152	14 507	1 280	885	107 824

# TSWELOPELE LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>33. Remuneration of councillors (continued)</b>				
Part-time councillor - DA Njodina	91 152	14 507	1 280	1 069
Part-time councillor - EC Joubert	91 153	14 507	1 280	857
Part-time councillor - MA Monei	91 152	14 507	1 280	875
Part-time councillor - MH Segopolo	91 152	14 507	1 280	875
Part-time councillor - MJ Mgcinya	91 153	14 507	1 280	891
Part-time councillor - MB Mohlabakoe	91 153	14 507	1 280	914
	<b>5 282 534</b>	<b>661 186</b>	<b>58 340</b>	<b>55 843</b>
				<b>6 057 903</b>
<b>34. Community donations</b>				
Community donations			11 119 285	-
The municipality took up a project of building 837 toilet structures in the Bultfontein and Phahameng area with the funding of the Municipal Infrastructure Grant (MIG).				
The project was started in the 2019/2020 financial period and completed in the current period when the structures were officially transferred to the residents.				
<b>35. Depreciation and amortisation</b>				
Property, plant and equipment			29 871 685	29 637 289
<b>36. Finance costs</b>				
Non-current borrowings			868 939	867 572
Trade and other payables			9 332 924	3 727 481
Finance leases			56 001	75 740
Employee costs			907 884	710 387
Unwinding costs in provisions			4 462 707	6 643 274
			<b>15 628 455</b>	<b>12 024 454</b>
<b>37. Debt impairment</b>				
Debt impairment - consumer debtors			24 988 710	24 335 271
<b>Reconciliation of debt impairment</b>				
Actual bad debts written off - consumer debtors			5 371 734	7 911 179
Actual bad debts written off - other receivables			444 285	-
Increase in provision of doubtful debt - other receivables			470 059	134 469
Increase in provision for doubtful debt - consumer debtors			18 702 632	16 289 623
			<b>24 988 710</b>	<b>24 335 271</b>
<b>38. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment			455 159	1 877 474
Impairment losses are due to the changes in the condition of assets at year end.				
<b>The main classes of assets affected by impairment losses are:</b>				
Infrastructure assets			-	1 865 154
Community assets			-	57 456
Other property, plant and equipment			-	27 868
			<b>-</b>	<b>1 950 478</b>

# TSWELOPELE LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Bulk purchases</b>		
Electricity	40 206 583	42 987 493
Water	6 060 900	5 442 480
Electricity (Indigent relief)	3 966 053	2 905 079
	<b>50 233 536</b>	<b>51 335 052</b>
<b>Electricity losses</b>		
Units purchased	21 631 627	26 190 379
Units sold	(19 831 394)	(21 993 230)
<b>Total loss</b>	<b>1 800 233</b>	<b>4 197 149</b>
Rand value loss	2 866 412	6 038 332
Percentage loss	8,30 %	16,03 %
<b>Water losses</b>		
Units purchased	3 884 835	3 964 550
Units sold	(3 285 502)	(3 214 812)
<b>Total</b>	<b>599 333</b>	<b>749 738</b>
Rand value loss	934 147	1 046 893
Percentage loss	15,42 %	18,91 %
<b>40. Contracted services</b>		
<b>Outsourced Services</b>		
Security Services	3 584 187	2 741 047
<b>Consultants and Professional Services</b>		
Business and advisory	2 666 960	4 762 275
Legal Cost	2 113 900	2 496 986
<b>Contractors</b>		
Electrical	4 347 826	-
Maintenance - labour costs	576 031	866 392
Medical Services	402 612	548 297
	<b>13 691 516</b>	<b>11 414 997</b>
<b>Included under business and advisory</b>		
Accounting services	758 146	1 250 667
Audit committee	149 601	111 897
Valuers and assessors	2 678	1 172 245
Prepaid Electricity Services	214 510	-
Other	1 542 025	2 227 466
	<b>2 666 960</b>	<b>4 762 275</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. General expenses</b>		
Advertising	288 185	156 102
Auditors remuneration	6 172 311	5 411 297
Bank charges	245 295	276 452
Computer expenses	3 497 364	3 430 019
Entertainment	92 432	58 549
Fines and penalties	1 900	-
Hire charges	1 883 999	1 885 252
Insurance	1 023 990	838 296
Materials and supplies	11 301 187	11 644 252
Motor vehicle expenses	109 503	107 684
Fuel and oil	5 635 965	3 388 172
Printing and stationery	78 730	16 942
Protective clothing	67 504	432 344
Licence fees	24 062	24 293
Subscriptions and membership fees	904 452	811 790
Telephone and fax	720 562	485 824
Training	837 517	744 534
Travel - local	1 665 996	1 683 584
Transport costs	199 805	270 652
Operating grant expenditure	3 265 574	3 375 624
Remuneration of ward committees	530 500	290 000
Workmens Compensation Fund	518 412	319 319
Chemicals	12 221 084	10 136 810
Other expenses	160 203	66 689
	<b>51 446 532</b>	<b>45 854 480</b>
<b>42. Cash generated from operations</b>		
Deficit	(3 511 594)	(13 024 699)
<b>Adjustments for:</b>		
Depreciation and amortisation	29 871 685	29 637 289
Impairment loss	455 159	1 877 474
Fair value adjustments	(181 914)	(144 418)
Finance costs	924 942	943 312
Debt impairment	24 988 710	24 335 271
Movements in retirement benefit assets and liabilities	(524 667)	(108 603)
Movements in provisions	18 155 174	1 245 907
Loss on disposal of assets and liabilities	12 708 229	1 652 302
Loss on biological assets and agricultural produce	609 800	(4 600)
Non-cash movement :Property, plant & equipment	(5 695 156)	3 833 295
Prior year adjustments	-	1 849 399
<b>Changes in working capital:</b>		
Inventories	624 756	(378 851)
Other receivables from exchange transactions	(1 270 048)	158 787
Consumer debtors	(35 188 511)	(26 545 194)
Payables from exchange transactions	38 098 080	23 699 643
VAT	(8 825 813)	(2 832 975)
Consumer deposits	14 982	205 299
Unspent conditional grants and receipts	4 614 992	-
	<b>75 868 806</b>	<b>46 398 638</b>
<b>43. Auditors' remuneration</b>		
Fees	6 172 311	5 411 297



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Fair value adjustments</b>		
Investment property	-	20 795
Other financial assets		
• Share investments	181 914	123 623
	<b>181 914</b>	<b>144 418</b>
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	48 811 503	38 485 945
<b>Total capital commitments</b>		
Already contracted for but not provided for	48 811 503	38 485 945
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	48 811 503	38 485 945
<b>46. Contingencies</b>		
LJ Leoatle	-	-
The matter relates to damage to Mr LJ Leoatle's vehicle. He drove into a pothole and damaged his vehicle. The matter is still pending. This matter is handled internally and therefore there is no legal council. An arrangement was reached on 02 September 2021 that Tswelopele Local Municipality (defendant) will pay the plaintiff the amount of R40 000.		
Dr KM Mapesela	-	60 040
The matter relates to a dispute with regards to medical services rendered and invoiced. Matter has been removed at the advice of the attorney until the plaintiff is actively pursuing the case.		
Senwes Limited	68 720	68 720
Senwes Limited is taking the municipality to court to review an application to set aside the council resolution of June 2020 to approve tariff policy and the specific basic electricity charge in respect of the industrial silos.		
DT Bombare	-	400 000
The matter relates to an action instituted against the municipality to recover damages as a result of an accident that occurred on 6 January 2020. The suffered damages amount to R400 000. At the advice of the attorney this matter has been removed as the plaintiff is untraceable at the current moment.		
HT Pelatona	-	15 835 749
High Court judgement set-aside HT Pelatona request on the appointment of NSM Consulting. This matter is thus resolved.		
Tswelopele Local Municipality	-	-
Eviction application for unlawful occupants on ERF 7286, 7288 and Matlharatlhing. The municipality is no longer pursuing the matter.		
Tswelopele Local Municipality	-	886 890
Preservation Order on Crops of Tikwe Farming Pty was not granted for lease rental owed to the Municipality. Municipality is not going to take any further action.		

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>46. Contingencies (continued)</b>		
MK Bloemfontein	-	-
Contravention of clause 1.2.5 and 2.7.2 of the SALGBC Disciplinary Procedure Collective Agreement. The Employee is charged failed to conduct himself with honesty and integrity and theft.		
	<b>68 720</b>	<b>17 251 399</b>
<b>47. Related parties</b>		
Relationships		
Related entities	Director - TJ Matyesini - Chief Financial Office	
	• Nomzi Fragrances	
	Registration number: K2022337039	
	MJ Mahlanyane - Director Community Services	
	• Free State Arts and Culture Council	
	Director - MA Muller - Councillor	
	• Mulcon Civils	
	Registration number: B2011100388	
	Director - KP Dail - Councillor	
	• Motaung and Motshweneng Associates	
	Registration number: K2022449643	
	Director - TA Soaisa - Councillor	
	• Nettsector Multi-Purpose	
	Registration number: C2011004875	
	• Lavida Co-Operative Limited	
	Registration number: C2012013414	
	• TAS1985 Investments	
	Registration number: K2021434070	
Members of key management	TJ Matyesini (Chief Financial Officer)	
	MJ Mahlanyane (Director Community Services)	
	SS Rabanye (Director Corporate Services)	
	LS Malokase (Director Technical Services)	
<b>Related party transactions</b>		
<b>Service charges rendered to related parties - Councillors</b>		
<b>Current serving council</b>		
Mayor - KR Phukuntsi	10 297	10 781
Part-time EXCO member - JM Radienyane	2 066	1 299
Part-time EXCO member - WS Swart (Resigned 31 March 2022)	-	26 175
Part-time EXCO member - EJ Pretorius	1 867	1 164
Part-time Chairperson Sec 79 committee - MC Mphatsoe	2 066	1 137
Part-time councillor - MM Snyer	2 066	1 299
Part-time councillor - MS Baleni	2 066	1 299
Part-time councillor - TA Soaisa	2 066	1 137
Part-time councillor - EG Pretorius	5 724	5 318
Part-time councillor - MA Muller	4 998	6 238
Part-time councillor - MJ Noosi (Resigned 31 January 2022)	-	487
Part-time councillor - SH Gaebee	2 066	1 299
Part-time councillor - WM Nkomo	2 066	1 137
Part-time councillor - KP Dial	2 066	1 299
Part-time councillor - TS Shuping	2 066	1 299
Part-time councillor - MJ Rabanye	2 066	1 299
Part-time councillor - RA Potsanyane	2 066	1 137
Part-time councillor - NS Twana	2 582	(8 079)
<b>Served in previous council</b>		
Mayor - FT Matsholo	-	650
Chairperson Sec 79 committee - BP Eseu	-	650
Part-time EXCO member - C Horn (Deceased 21 August 2021)	-	26 972

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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<b>47. Related parties (continued)</b>		
Part-time councillor - TT Taedi	-	1 299
Part-time councillor - MS Bonokwane	-	650
Part-time councillor - DA Njodina	-	650
Part-time councillor - MA Monei	-	650
Part-time councillor - MH Segopolo	-	650
Part-time councillor - MJ Mgcinya	-	650
Part-time councillor - MB Mohlabakoe	-	650
<b>Property rates levied to related parties - Councillors</b>		
<b>Current serving council</b>		
Part-time EXCO member - WS Swart (Resigned 31 March 2022)	-	1 734
Part-time EXCO member - EJ Pretorius	247	305
Part-time councillor - TA Soaisa	6	94
Part-time councillor - EG Pretorius	5 587	3 759
Part-time councillor - MA Muller	13 252	3 447
Part-time councillor - SH Gaebee	243	-
Part-time councillor - KP Dial	243	-
Part-time councillor - TS Shuping	1 117	94
Part-time councillor - MJ Rabanye	146	103
Part-time councillor - RA Potsanyane	1	163
Part-time councillor - NS Twana	2 714	(130)
<b>Served in previous council</b>		
Mayor - FT Matsholo	-	177
Part-time EXCO member - C Horn (Deceased 21 August 2021)	-	8 353
Part-time councillor - TT Taedi	-	657
Part-time councillor - MB Mohlabakoe	-	15
<b>Other services levied to related parties - Councillors</b>		
Part-time councillor - NS Twana	-	1 207
EFG (Proprietary) Limited	-	41 853
<b>Services rendered to related parties - Key Management</b>		
Director Community Services - MJ Mahlanyane	7 860	16 614
Director Corporate Services - SS Rabanye	1 940	-
Director Technical Services - LG Malokase	162	-
<b>Property rates rendered to related parties - Key Management</b>		
Director Community Services - MJ Mahlanyane	4 905	6 759
Director Corporate Services - SS Rabanye	2 611	-

### Remuneration of management

#### Management class: Councillors

Refer to note 33 "Remuneration of councillors" and note 58 "Additional disclosure in terms of the MFMA."

#### Management class: Executive management

\*Refer to note 32 "Employee related costs".

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 48. Accounting by principals and agents

The entity is a party to two principal-agent arrangements.

#### Agent in Principal-Agent

Tswelopele Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deducts specified amounts from the salaries of municipal employees on behalf of the Principle in exchange for commission of 2.5% and 5%. No significant judgements are applied in determining that the Municipality was the agent in the arrangement. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no risks and benefits associated with the principal agent arrangement.

#### Compensation received from the agency activities

Commission (Payroll deductions)	321 796	305 351
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Tswelopele Local Municipality was paid 2.5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

#### Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

#### Principal in Principal-Agent

The municipality is the Principal in the Principal-Agent arrangement with Cigicell. Cigicell undertakes pre-paid electricity sales through the use of third party vendors on behalf of Tswelopele Local Municipality in return for commission of 2.25%. No significant judgements were applied in determining if the municipality was the principal. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no risks and benefits associated with the principal agent arrangement.

#### Compensation incurred from principal activities

Commission (Prepaid electricity services)	21 450	-
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Tswelopele Local Municipality paid 2.25% commission to Cigi Cell for acting as a principal on its behalf during the financial year.

#### Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

### 49. Change in estimate

#### Property, plant and equipment

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

- Increase in Infrastructure depreciation expense amounting to R786 793.
- Increase in Community depreciation expense amounting to R246 696.
- Increase in Operational buildings depreciation expense amounting to R81 935.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 50. Prior period errors

Presented below are those items contained in the Statement of Financial Position and Statement of Financial Performance that have been affected by Prior-year adjustments:

#### Statement of Financial Position

2022	Note	As previously reported	Correction of error	Reclassification	Restated
Other receivables from exchange transactions	4	1 764 170	(88 688)	-	1 675 482
VAT receivable	-	14 603 497	91 784	-	14 695 281
Investment property	10	104 450 043	(105 164)	-	104 344 879
Property, plant and equipment	11	537 750 894	15 133 910	-	552 884 804
Payables from exchange transactions	-	(118 377 111)	(703 677)	-	(119 080 788)
Accumulated surplus	-	(528 920 543)	(13 022 929)	-	(541 943 472)
		<b>11 270 950</b>	<b>1 305 236</b>	<b>-</b>	<b>12 576 186</b>

#### Statement of Financial Performance

2022	Note	As previously reported	Correction of error	Reclassification	Restated
Depreciation and amortisation	35	31 481 413	(1 844 124)	-	29 637 289
Impairment of assets	38	1 950 478	(73 005)	-	1 877 473
Contracted services	40	10 254 807	611 893	548 297	11 414 997
General expenses	41	46 402 776	-	(548 297)	45 854 479
		<b>90 089 474</b>	<b>(1 305 236)</b>	<b>-</b>	<b>88 784 238</b>

### Errors

The following prior period error adjustments occurred:

#### Community assets

Recognition of assets previously expensed as well as the accumulated depreciation for the assets.

The effect of the correction is as follows:

Property, plant and equipment - Decrease	(185 911)	(185 911)
Depreciation and amortisation - Decrease	-	(1 368)
Accumulated surplus - Increase	185 911	187 279
	<b>-</b>	<b>-</b>

#### Infrastructure assets

Recognition of assets previously expensed as well as the accumulated depreciation for the assets.

The effect of the correction is as follows:

Property, plant and equipment - Increase	13 822 284	13 822 284
Depreciation and amortisation - Decrease	-	(1 669 840)
Accumulated surplus - Decrease	(13 822 284)	(12 152 444)
	<b>-</b>	<b>-</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>50. Prior period errors (continued)</b>		
<b>Other property, plant and equipment</b>		
Recognition of assets previously expensed as well as the accumulated depreciation for the assets.		
The effect of the correction is as follows:		
Property, plant and equipment - Increase	1 432 296	1 432 296
Depreciation and amortisation - Decrease	-	(172 916)
Impairment of assets - Decrease	-	(73 005)
Accumulated surplus - Decrease	(1 432 296)	(1 186 375)
	<u>-</u>	<u>-</u>
<b>Other receivables from exchange transactions</b>		
Interest accruals from 2018. 2014 and unknown period where never reversed and thus overstatement of interest income.		
The effect of the correction is as follows:		
Other receivables from exchange transactions - Decreased	(88 688)	(88 688)
Accumulated surplus - Increased	88 688	88 688
	<u>-</u>	<u>-</u>
<b>Investment property</b>		
Reclassification of vacant property previously classified as investment property to property plant and equipment. Reversal of fair value adjustments.		
The effect of the correction is as follows:		
Investment property - Decreased	(105 164)	(105 164)
Property, plant and equipment - Increased	65 242	65 242
Accumulated surplus - Increased	39 922	39 922
	<u>-</u>	<u>-</u>
<b>Trade Payables from exchange transactions</b>		
Recognition of legal costs not previously accrued in 2022 and had been expensed in 2023		
<b>Heading</b>		
Trade payables - Increased	(703 677)	(703 677)
Contracted services - Increased	611 893	611 893
VAT receivable - Increased	91 784	91 784
	<u>-</u>	<u>-</u>

## 51. Comparative figures

Certain comparative figures have been reclassified.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 52. Risk management

#### 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.

<b>At 30 June 2023</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Borrowings	3 816 886	2 429 631	-	-
Derivative financial instruments	375 888	-	-	-
Trade and other payables	130 239 435	-	-	-
	<b>134 432 209</b>	<b>2 429 631</b>	-	-

  

<b>At 30 June 2022</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Borrowings	3 176 208	2 042 725	1 499 354	-
Derivative financial instruments	374 094	375 888	-	-
Trade and other payables	92 080 195	-	-	-
	<b>95 630 497</b>	<b>2 418 613</b>	<b>1 499 354</b>	-

#### Credit risk

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

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

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

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

#### Market risk

##### Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 52. Risk management (continued)

#### Interest rate risk

##### Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11,90 %	3 816 886	2 429 631	-	-	-

### 53. Financial instruments disclosure

#### Categories of financial instruments

##### 2023

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 357 961	-	1 357 961
Receivables from exchange transactions	-	28 691 784	28 691 784
Other receivables from exchange transactions	-	2 945 529	2 945 529
Cash and cash equivalents	-	10 480 743	10 480 743
	<b>1 357 961</b>	<b>42 118 056</b>	<b>43 476 017</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	6 246 517	6 246 517
Trade and other payables from exchange transactions	157 178 869	157 178 869
Consumer deposits	1 663 231	1 663 231
	<b>165 088 617</b>	<b>165 088 617</b>

##### 2022

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 176 047	-	1 176 047
Receivables from exchange transactions	-	25 788 219	25 788 219
Other receivables from exchange transactions	-	1 675 481	1 675 481
Cash and cash equivalents	-	4 579 228	4 579 228
	<b>1 176 047</b>	<b>32 042 928</b>	<b>33 218 975</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	6 718 287	6 718 287
Payables from exchange transactions	119 080 787	119 080 787
Consumer deposits	1 648 249	1 648 249
	<b>127 447 323</b>	<b>127 447 323</b>



# TSWELOPELE LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>54. Unauthorised expenditure</b>		
Opening balance as previously reported	31 767 931	13 004 222
Add: Unauthorised expenditure - current	6 085 826	18 763 709
Less: Amount written-off - prior period	(28 602 333)	-
<b>Closing balance</b>	<b>9 251 424</b>	<b>31 767 931</b>

### Details of unauthorised expenditure

Vote 2 - Budget and Treasury	-	3 828 451
Vote 3 - Community Services	6 085 826	6 231 319
Vote 7 - Sewerage Management	-	457 800
Vote 8 - Public Works: Roads	-	1 396 044
Vote 9 - Water	-	4 824 614
Vote 10 - Electricity	-	2 025 481
	<b>6 085 826</b>	<b>18 763 709</b>

The unauthorised expenditure has been disclosed at amounts exclusive of VAT.

During the year under review, after the council committee investigations, council adopted the council committee recommendation to write-off an amount of R31 767 931 of unauthorised expenditure incurred in the prior years on 29 March 2023.

### 55. Fruitless and wasteful expenditure

Opening balance as previously reported	2 186 685	543 847
Add: Fruitless and wasteful expenditure identified - current	9 366 529	3 734 381
Less: Amount written off - current	(5 183 073)	(2 091 543)
Less: Amount written off - prior period	(1 642 838)	-
<b>Closing balance</b>	<b>4 727 303</b>	<b>2 186 685</b>

The amount of R24 039 incurred in 2021 was acknowledged and is recoverable from the supplier. An arrangement was made by the supplier to pay in 12 months instalments effective 01 August 2022.

### Details of fruitless and wasteful expenditure

Eskom interest charges	6 949 941	2 063 760
Sandvet interest charges	2 203 827	1 561 324
Other suppliers interest charges	157 428	109 297
Audit fees interest	55 334	-
	<b>9 366 530</b>	<b>3 734 381</b>

During the year under review, after the council committee investigations, council adopted the council committee recommendation to write-off an amount of R6 825 911 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The amount of R24 039 incurred in 2021 was acknowledged and is recoverable from the supplier. An arrangement was made by the supplier to pay in 12 months instalments effective 01 August 2022.

### 56. Irregular expenditure

Opening balance as previously reported	77 320 663	60 272 876
Add: Irregular expenditure - current	52 370 821	35 882 570
Less: Amount written off - current	(15 082 201)	(1 999 409)
Less: Amount written off - prior period	(25 263 340)	(16 835 374)
<b>Closing balance</b>	<b>89 345 943</b>	<b>77 320 663</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Irregular expenditure (continued)

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

Strip and quote	15 748	-
Emergencies	-	1 497 482
Other	6 331 781	3 714 917
Tenders awarded with insufficient information	38 959 427	-
Adjustments - tenders, Senior SCM Practitioner	-	30 670 170
Tender payments exceeding contract amount	7 063 865	-
	<b>52 370 821</b>	<b>35 882 569</b>

### 57. Deviation from supply chain management regulations

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

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

#### Details of deviations

Strip and quote	838 530	1 090 017
Emergencies	3 476 689	8 441 225
Classified as normal	1 820 177	929 215
Environmental	37 765	-
	<b>6 173 161</b>	<b>10 460 457</b>

### 58. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	5 422
Current year subscription / fee	65 647	60 471
Amount paid - current year	(65 647)	(65 893)
	-	-

#### Audit fees

Opening balance	255 106	1 439 572
Current year subscription / fee	7 153 492	5 493 086
Amount paid - current year	(7 408 598)	(6 677 552)
	-	<b>255 106</b>

#### PAYE and UIF

Opening balance	765 470	848 891
Current year subscription / fee	11 523 805	10 369 937
Amount paid - current year	(12 289 275)	(10 453 358)
	-	<b>765 470</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

#### Pension and Medical Aid Deductions

Opening balance	943 448	1 647 795
Current year subscription / fee	20 918 926	19 465 443
Amount paid - current year	(21 862 374)	(20 169 790)
	<b>-</b>	<b>943 448</b>

#### VAT

VAT receivable	23 521 093	14 695 280
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#### Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor - KR Phukuntsi	160	-	160
Part-time EXCO member - JM Radienyane	198	-	198
Part-time EXCO member - EJ Pretorius	601	257	858
Part-time Chairperson Sec 79 committee - MC Mphatsoe	14	-	14
Part-time councillor - MM Snyer	198	-	198
Part-time councillor - MS Baleni	198	-	198
Part-time councillor - TA Soaisa	198	-	198
Part-time councillor - EG Pretorius	686	-	686
Part-time councillor - MA Muller	2 586	-	2 586
Part-time councillor - SH Gaebbe	218	-	218
Part-time councillor - WM Nkomo	198	-	198
Part-time councillor - KP Dial	218	-	218
Part-time councillor - TS Shuping	291	-	291
Part-time councillor - MJ Rabanyane	209	-	209
Part-time councillor - RA Potsanyane	198	-	198
Part-time councillor - NS Twana	2 339	4 014	6 353
	<b>8 510</b>	<b>4 271</b>	<b>12 781</b>

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor - KR Phukuntsi	1 722	-	1 722
Part-time EXCO member - JM Radienyane	187	-	187
Part-time EXCO member - EJ Pretorius	79	-	79
Part-time councillor - MM Snyer	178	-	178
Part-time councillor - MS Baleni	206	-	206
Part-time councillor - TA Soaisa	600	3 435	4 035
Part-time councillor - MA Muller	1 231	-	1 231
Part-time councillor - SH Gaebbe	187	-	187
Part-time councillor - WM Nkomo	187	-	187
Part-time councillor - KP Dial	187	-	187
Part-time councillor - TS Shuping	198	-	198
Part-time councillor - MJ Rabanyane	198	-	198
Part-time councillor - RA Potsanyane	210	-	210
Part-time councillor - NS Twana	54	615	669
	<b>5 424</b>	<b>4 050</b>	<b>9 474</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount	Aging (in days)
30 June 2023		
Part-time councillor - TA Soaisa	2 123	365
Part-time councillor - NS Twana	307	365
	<b>2 430</b>	<b>730</b>
30 June 2022		
Part-time EXCO member - EJ Pretorius	257	120
Part-time councillor - NS Twana	412	365
	<b>669</b>	<b>485</b>

### 59. Material non-compliance

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.

VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

### 60. Budget differences

#### Material differences between budget and actual amounts

Variances of more than 10% between actual results and budgeted amounts are considered material and explanation for these variances are included below.

#### Statement of Financial Performance

A1 - The municipal council took a resolution to terminate all the rental contracts and re-advertise them at revised costs. However, the process of termination was only implemented towards the end of the financial year.

A2 - Business which were previously unlicensed were enforced to pay their licence fees during the course of the financial year.

A3 - Less insurance refunds were received than budgeted.

A4 - Due to the constant increase in the interest rate, the municipality gained more interest on investments than anticipated. The municipality also received additional R 10 million MIG grant during the year, from which more interest was received.

A5 - In the first half of the year, the municipality received more dividends than initially budgeted. This led to increase in the budget for dividends during the adjustment budget.

A6 - Values in some of properties increased more than anticipated as the new valuation roll was implemented for July 2022.

A7 - Due to non-payment of debtors accounts. The municipality charged interest on debtors with long outstanding debt.

A8 - The municipality received assistance to settle the audit fees from provincial treasury, indirect grants are not budgeted for. Additional MIG received.

A9 - Desktop was donated to the municipality.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 60. Budget differences (continued)

A10 - More traffic fines were issued during the year than anticipated.

A11 - Due to the donation being conditional grant funded this was budgeted for under transfers and subsidies.

A12 - Depreciation is calculated once a year which makes it difficult to estimate during the budgeting process.

A13 - When budgeting for Finance cost, the Municipality took into consideration the condition of the initial agreement entered.

A14 - The budget for Lease rentals is included under line item for General Expense because NT A-schedule does not make provision for line item of Lease Rental..

A15 - The debt Impairment is informed by the movement which affects the provisions.

A16 - The budget for impairment of assets could not be determined during the budgeting process.

A17 - The Eskom winter tariff was increased much higher than anticipated during the year, and the budget was decreased during the adjustment due to loadshedding factors.

A18 - The municipality had budgeted for the total costs of smart metering project. However the contractor recouped their costs on commission basis.

A19 - There were instances of emergencies during the year, which resulted in municipality overspending on line items such as chemicals and legal fees.

A20 - This is part of the year-end adjustments and thus not budgeted for.

A21 - Municipality does not have the basis to budget for Fair Value Adjustment which makes it difficult to estimate the amount to be budgeted for in the line item of Fair Value

A22 - Municipality does not have the basis to budget for gain or loss on Actuarial which makes it difficult to estimate the amount to be budgeted for in the line item of actuarial gains and losses

A23 - The difference is informed by the movement on year end counts and thus not budgeted for.

### Statement of Financial Position

B1 - More inventory was purchase towards the end of the financial year.

B2 - This is informed by the pre-payment of SALGA membership fees which was made in 2023 in order to secure an early settlement discount.

B3 - Municipality appointed Munsoft for Debt collection and data cleansing, and some the clients responded positively.

B4 - Reserved funds were diverted towards service delivery.

B5 - The budgeted amount was an estimate informed by the closing balance of 2021/2022 FY.

B6 - The budget for this balance is included in Cash and cash equivalents.

B7 - The budget did not split current potion from non-current.

B8 - The budget did not split current potion from non-current.

B9 - Some of the payments towards DBSA loan will only be made during 2023/2024 financial year.

B10 - Budget for Finance lease obligation is included in Other Financial Liabilities because NT A-schedule does not make provision for Finance Lease Obligation line item.

B11 - During the budgeting, municipality had anticipated to pay both Eskom and Sandvet in line with payment plan.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 60. Budget differences (continued)

B12 - Budget for Employee benefit obligation is included in Payables from exchange transaction because NT A-schedule does not make provision for Employee benefit Obligation line item.

B13 - Some of the payments towards DBSA loan will only be made during 2023/2024 financial year.

B14 - Budget for Employee benefit obligation is included in Payables from exchange transaction because NT A-schedule does not make provision for Employee benefit Obligation line item.

B15 - The movement in this line item is informed by the movement in provisions under Income statement.

### Cashflow Statement

C1 - All cashflow movements are informed by the movement in the Statement of Financial Position and Statement of Financial Performance.

### 61. Events after the reporting date

The municipality is not aware of any events after reporting period.

### 62. Going concern

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

We draw attention to the following indicators which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- Current liabilities as a percentage of next years' budget resources is 110%.
- Trade payables for the current year is 130 239 435 compared to 92 080 195 in 2022.
- Retentions payable for the current year is 4 348 975 compared to 3 430 896 in 2022.
- Capital commitments already contracted for but not provided for the current financial year is 48 811 503 compared to 38 485 945 in 2022.
- The municipality's current liabilities exceed its current assets by R82 084 556. This increased from 2022 when the net current liability position was R64 790 711.
- The municipality owed Eskom R110 285 514 (2022: R71 064 141).
- The municipality owed the waterboard, Sandvet, R17 363 908 (2022: R14 415 790).
- Creditor payment is 412 days.
- Debtor payment period is 171 days.
- 70% of old debtors are expected to be impaired.
- Debt to asset ratio is sitting at 0,31:1
- Creditors as a percentage of cash and cash equivalents is 1,500%
- The DBSA loan was in arrears of R2 704 489 inclusive of interest at year end.

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 produce funding for the ongoing operations for the municipality.

Regardless of the negative indicators disclosed above, the following funding procured by the accounting officer will ensure ongoing operations of the municipality:

- At 30 June 2023, the municipality has an accumulated surplus/(deficit) of 539 737 112 and that the municipality's total assets exceed its liabilities by 539 737 112 .
- Cash and cash equivalents are positive for 2023 10 480 743 and 2022 4 579 228 .
- The profit/(loss) for the current year is (3 511 594) compared to a profit/(loss) of the prior year of (13 024 699).
- R73 530 072 of the liabilities for the municipality is based on items that does not form part of the normal day-to-day activities of the municipality.
- Overall, the municipality's assets exceed the municipality's liabilities by 539 737 112 .
- Council approved the budget for the 2023/24 to 2024/25 financial years. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three year period.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 62. Going concern (continued)

- The municipality's budget is subject to a very rigorous independent assessment procedures to assess its cash backing status before its ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- The municipality is in the process of implementing revenue enhancement programs. These revenue enhancement programs will include a specific recovery of arrear amounts from clients.
- The municipality is in the process of installing pre-paid electricity meters effective from the current financial period (2022/23) in municipal licenced areas to enhance revenue collection.
- The DoRA allocation for the grant to be received in the 2023/24 financial year equals R97 242 000.
- The municipality has a funding plan in place to service long outstanding debt and improve its financial position.

### 63. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

### 64. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of 11 main votes. Management uses these same segments for compilation of the Integrated Development Planning (IDP) and Service Delivery and Budget Implementation Plan (SDBIP), budget as well as monthly and quarterly reporting. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Types of goods and/or services by segment

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

Reportable segment	Reportable segment	Goods and/or services
Vote 1	Executive and Council	Provides political leadership to the municipality for the generation of economic benefits and service potential.
Vote 2	Budget and Treasury Office	Provides financial leadership to the municipality for the generation of economic benefits and service potential.
Vote 3	Community and Social Services	Provides social services, public safety, public spaces, local economic development and housing to the municipality for the generation of economic benefits and service potential.
Vote 4	Public Safety	Provides public safety to the municipality for the generation of economic benefits and service potential.
Vote 5	Sport and Recreation	Provides sport fields to the municipality for the generation of economic benefits and service potential.
Vote 6	Waste Management	Provides infrastructure for the provision of refuse removal to the municipality for the generation of economic benefits and service potential.
Vote 7	Waste Water Management	Provides infrastructure for the provision of sanitation to the municipality for the generation of economic benefits and service potential.

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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<b>64. Segment information (continued)</b>			
Vote 8	Road and Transport		Provides infrastructure for the provision of water to the municipality for the generation of economic benefits and service potential.
Vote 9	Water		Provides infrastructure for the provision of economic benefits and service potential.
Vote 10	Electricity		Provides infrastructure for the provision of electricity to the municipality for the generation of economic benefits and service potential.
Vote 11	Corporate Services		Provides legal and management services including HR and IT to the municipality for the generation of service potential.



# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 64. Segment information (continued)

#### Segment surplus or deficit

2023

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
<b>Revenue</b>											
Service charges	-	-	-	46 635 117	-	-	-	3 754 739	6 667 368	5 358 718	62 415 942
Rental of facilities and equipment	-	579 619	-	-	1 227 005	19 457	28 023	-	-	-	1 854 104
Licences and permits	-	133 405	-	-	-	-	-	-	-	-	133 405
Operational revenue	3 184 109	424 753	140 065	100 631	1 489	10 876	-	-	-	11 525	3 873 448
Interest received - Investment	1 934 365	-	-	-	-	-	-	-	-	-	1 934 365
Dividends received	116 750	-	-	-	-	-	-	-	-	-	116 750
Property rates	36 767 757	-	-	-	-	-	-	-	-	-	36 767 757
Interest - Taxation revenue	6 271 001	-	-	-	-	-	-	-	-	-	6 271 001
Government grants and subsidies	41 516 874	-	-	5 000 000	92 360 000	25 340 895	-	-	-	12 255 484	176 473 253
Public contributions and donations	-	-	-	-	7 527	2 375 621	-	-	-	-	2 383 148
Fines, penalties and forfeights	-	760 550	-	-	-	-	-	-	-	-	760 550
Actuarial gains	419 043	-	-	-	-	-	-	-	-	-	419 043
Fair value adjustments	181 914	-	-	-	-	-	-	-	-	-	181 914
<b>Total segment revenue</b>	<b>90 391 813</b>	<b>1 898 327</b>	<b>140 065</b>	<b>51 735 748</b>	<b>93 596 021</b>	<b>27 746 849</b>	<b>28 023</b>	<b>3 754 739</b>	<b>6 667 368</b>	<b>17 625 727</b>	<b>293 584 680</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 64. Segment information (continued)

#### Entity's revenue

**293 584 680**

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Management	Water	Total
<b>Expenditure</b>											
Employee related costs	16 867 051	14 399 836	11 251 730	3 359 973	3 523 346	10 238 570	-	7 895 101	7 566 579	4 591 491	79 693 677
Remuneration of councillors	-	-	-	-	6 491 480	-	-	-	-	-	6 491 480
Community donations	-	-	-	-	-	-	-	-	11 119 285	-	11 119 285
Depreciation and amortisation	-	-	-	-	-	29 871 685	-	-	-	-	29 871 685
Finance costs	10 296 809	-	-	-	-	-	-	4 462 707	868 939	-	15 628 455
Lease rentals	-	-	158 209	-	-	-	-	-	-	-	158 209
Debt impairment	16 592 873	470 059	-	238 679	638 636	-	-	2 135 117	3 020 563	1 892 784	24 988 711
Impairment of assets	-	-	-	-	-	455 159	-	-	-	-	455 159
Bulk purchases	-	-	-	44 172 635	-	-	-	-	-	6 060 900	50 233 535
Contracted services	2 668 163	14 159	2 516 512	4 566 112	3 608 312	52 921	-	4 927	93 872	166 638	13 691 616
General expenses	12 679 297	666 984	2 457 469	2 701 633	6 166 501	6 381 334	22 511	1 023 497	4 264 003	15 083 204	51 446 433
Loss on disposal of assets and liabilities	-	-	-	-	-	12 708 229	-	-	-	-	12 708 229
Loss on biological assets	-	609 800	-	-	-	-	-	-	-	-	609 800
<b>Total segment expenditure</b>	<b>59 104 193</b>	<b>16 160 838</b>	<b>16 383 920</b>	<b>55 039 032</b>	<b>20 428 275</b>	<b>59 707 898</b>	<b>22 511</b>	<b>15 521 349</b>	<b>26 933 241</b>	<b>27 795 017</b>	<b>297 096 274</b>
<b>Total segmental surplus/(deficit)</b>											<b>(3 511 594)</b>

# TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 64. Segment information (continued)

2022

	Budget and Treasury	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
<b>Revenue</b>											
Service charges	-	-	-	46 378 676	-	-	-	3 891 222	6 072 162	5 669 020	62 011 080
Rental of facilities and equipment	-	1 103 500	-	-	496 770	1 981	1 138	-	-	-	1 603 389
Licence of permits	-	97 103	-	-	-	-	-	-	-	-	97 103
Operational revenue	1 612 085	535 270	132 004	422 387	846 454	2 747	-	-	-	32 117	3 583 064
Interest received - Investment	839 714	-	-	-	-	-	-	-	-	-	839 714
Dividends received	96 173	-	-	-	-	-	-	-	-	-	96 173
Property rates	26 429 031	-	-	-	-	-	-	-	-	-	26 429 031
Interest received - Taxation	3 173 250	-	-	-	-	-	-	-	-	-	3 173 250
Government grants and subsidies	32 855 799	-	-	-	82 520 000	17 192 000	-	-	-	12 000 000	144 567 799
Fines, penalties and forfeits	-	-	-	-	-	460 500	-	-	-	-	460 500
Actuarial gains	319 752	-	-	-	-	-	-	-	-	-	319 752
Fair value adjustment	144 419	-	-	-	-	-	-	-	-	-	144 419
Gains on biological assets and agricultural produce	-	4 600	-	-	-	-	-	-	-	-	4 600
<b>Total segment revenue</b>	<b>65 470 223</b>	<b>1 740 473</b>	<b>132 004</b>	<b>46 801 063</b>	<b>83 863 224</b>	<b>17 657 228</b>	<b>1 138</b>	<b>3 891 222</b>	<b>6 072 162</b>	<b>17 701 137</b>	<b>243 329 874</b>
<b>Expenditure</b>											
Employee related costs	14 367 252	14 041 424	7 179 025	2 809 055	3 957 111	10 729 281	-	7 795 731	7 186 203	3 770 706	71 835 788
Remuneration of councillors	-	-	-	-	6 175 513	-	-	-	-	-	6 175 513
Depreciation and amortisation	-	-	-	-	29 637 289	-	-	-	-	-	29 637 289
Finance costs	4 513 608	-	-	-	6 643 274	-	-	-	867 572	-	12 024 454
Lease rentals	-	-	211 954	-	-	-	-	-	-	-	211 954
Debt impairment	17 331 899	54 099	-	127 607	658 998	-	-	2 000 861	2 642 961	1 518 846	24 335 271
Impairment of assets	-	-	-	-	1 877 474	-	-	-	-	-	1 877 474
Bulk purchases	-	-	-	45 892 572	-	-	-	-	-	5 442 480	51 335 052

# TSWELOPELE LOCAL MUNICIPALITY

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	Budget and Treasury	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Waste Water Management	Water	Total	
<b>64. Segment information (continued)</b>											
Contracted services	5 628 667	-	2 433 390	-	3 352 940	-	-	-	-	11 414 997	
General expenses	11 080 543	676 556	1 983 551	2 735 581	6 366 369	5 097 354	39 720	1 620 014	4 016 578	45 854 478	
Loss on disposal of assets	-	-	-	-	-	1 652 302	-	-	-	1 652 302	
<b>Total segment expenditure</b>	<b>52 921 969</b>	<b>14 772 079</b>	<b>11 807 920</b>	<b>51 564 815</b>	<b>58 668 968</b>	<b>17 478 937</b>	<b>39 720</b>	<b>11 416 606</b>	<b>14 713 314</b>	<b>22 970 244</b>	<b>256 354 572</b>
<b>Total segmental surplus/(deficit)</b>										<b>(13 024 698)</b>	

Assets and liabilities as per the Statement of Financial Position is not disclosed in the segment reporting as the municipality does not report on these components on a regular basis internally.

Included in reportable segments is Vote 4 - Public Safety. The budgeted amounts for this vote was:

Expenditure: R733 000

During the reporting period no income or expenditure was incurred under this vote, thus no column was included in the above disclosure.

### Information about geographical areas

Tswelopele Local Municipality falls in the Lejweleputswa District area and is situated in the north western parts of the Free State and borders the North West Province to the north. The major towns that form part of the Tswelopele Local Municipality are Bultfontein/Phahameng and Hoopstad/Tikwana as well as their surrounding rural areas. Management has as per the GRAP standards decided to report on Tswelopele as a single geographical area.

Management is of the opinion that as per paragraph 32 of GRAP 18, the cost of developing geographical information would be excessive, secondly, that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.