Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWS and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Executive Mayor	De Beer VE
Members of the Mayoral Committee	De Beer VE (Exco member)
	Mopedi NP (Speaker)
	Khumalo KJ (Corporate Services Committee)
	Mosooane D (Special Programme and IDP Committee)
	Mofokeng MD (Infrastructure and LED Committee)
	Moloi NS (Public Safety and Transport Committee)
	Mosepedi MTJ (Urban, Planning and Rural Committee)
	Sefako ME (Social and Community Development Committee)
	Serati MJ (Finance and Budget Committee)
Councillors	De Jager AJ
	De Jager SHF
	Ferendale RS
	Jantjie AA
	Kok S
	LA Cock SM
	Magashule IM
	Matthysen-Engelbrecht M
	Meyer JA
	Mokoena BT
	Mokoena KJ
	Moloi MP
	Moroenyane MJ
	Moseme SL
	Motaung MP
	Nteo S
	Nthoesane S
	Rantsaile MM
	Rapuleng MD
	Schoonwinkel A
	Segoba SJ
	Sehume NA
	Serfontein C
	Sothoane TP
	Sotshiva L
	Toyi MS

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2023

General Information

	Tyumbu MJ Van der Merwe PP
Grading of local authority	Local Medium Capacity Municipality (Grade 3)
Accounting Officer	T Manele (Acting Accounting Officer appointed on 20 July 2023)
	PP Nhlapo (11 July 2022 to 01 October 2022)
	T Baleni (01 October 2022 to 08 March 2023)
	TM Ngesi (01 April to 30 June 2023)
Chief Finance Officer (CFO)	Lepesa KB (Acting CFO appointed on 13 June 20230
	Lebusa HI (01 July 2022 to 29 July 2022)
	Xulu M (01 August 2022 to 31 January 2023)
	Mpindo TA (01 February 2023 to 31 May 2023)
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act , 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)

Index

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

Abbreviations used:

DWS	Department of Water and Sanitation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
CPI	Consumer Price Index
SG	Surveyor General
HPI	House Price Indices
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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.

The annual financial statements set out on pages 6 to 102, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2023 and were signed on its behalf by:

Accounting Officer
Mr T Manele (Acting)

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: waste management services (the collection, disposal and purifying of waste, refuse and sewerage); electricity services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); water services (water is bought in bulk from DWS and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff) and operates principally in South Africa

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had accumulated deficits of R (191 833 748) and that the municipality's total liabilities exceeds its assets by R (191 833 748).

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

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

3. Subsequent events

The following subsequent event transpired after the reporting date and before the annual financial statements were authorised for issue:

Mr T Manele was appointed as Acting Municipal Manager after the reporting date.

4. Accounting Officer

The accounting officer of the municipality at the date of this report is as follows:

Name	Nationality	Changes
Manele T (Acting)	South African	Current Acting Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	7	3 218 463	3 141 276
Other receivables	6	1 544 666	2 162 335
Receivables from non-exchange transactions	8	28 755 118	25 993 222
Receivables from exchange transactions	9	140 360 057	122 033 008
VAT receivable	10	327 884 428	289 112 292
Cash and cash equivalents	11	45 971 786	5 199 242
		547 734 518	**447 641 375**
Non-Current Assets			
Investment property	3	172 880 594	169 657 108
Property, plant and equipment	4	1 622 305 552	1 644 992 347
Other financial assets	5	741 083	689 014
		1 795 927 229	**1 815 338 469**
Total Assets		**2 343 661 747**	**2 262 979 844**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	2 308 933 119	2 011 846 996
Consumer deposits	13	4 885 833	4 884 153
Employee benefit obligation	14	3 619 982	5 705 793
Unspent conditional grants and receipts	15	79 119 367	71 799 442
		2 396 558 301	**2 094 236 384**
Non-Current Liabilities			
Employee benefit obligation	14	32 626 054	35 027 154
Provisions	16	106 311 140	99 792 960
		138 937 194	**134 820 114**
Total Liabilities		**2 535 495 495**	**2 229 056 498**
Net Assets		**(191 833 748)**	**33 923 346**
Accumulated surplus / (deficit)		(191 833 748)	33 923 346
Total Net Assets		**(191 833 748)**	**33 923 346**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	372 300 950	408 209 902
Rental of facilities and equipment	19	95 444	108 023
Other income	20	3 443 463	2 037 482
Interest received from exchange transactions	22	53 935 321	34 171 945
Dividends received	22	7 062	-
Total revenue from exchange transactions		**429 782 240**	**444 527 352**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	96 968 756	104 441 186
Transfer revenue			
Government grants and subsidies	26	301 933 037	333 942 470
Fines, penalties and forfeits	27	41 733	228 647
Interest received from non-exchange transactions	23	18 249 725	10 390 907
Donations received	25	-	3 171 561
Interest recovered	21	-	7 683 923
Total revenue from non-exchange transactions		**417 193 251**	**459 858 694**
Total revenue	17	**846 975 491**	**904 386 046**
Expenditure			
Employee related costs	28	(262 012 444)	(261 750 397)
Remuneration of councillors	29	(16 678 658)	(15 589 001)
Depreciation and amortisation	30	(50 420 130)	(49 599 056)
Finance costs	32	(78 302 703)	(36 710 523)
Debt Impairment	33	(202 115 782)	(165 818 689)
Bulk purchases	34	(286 130 055)	(308 009 030)
Contracted services	35	(33 306 228)	(53 456 637)
General expenses	36	(115 493 627)	(125 525 601)
Repairs and maintenance	37	(13 531 471)	(10 057 078)
Total expenditure		**(1 057 991 098)**	**(1 026 516 012)**
Operating deficit		**(211 015 607)**	**(122 129 966)**
Gain / (loss) on disposal of assets and liabilities		(429 455)	(1 046 245)
Fair value adjustments	38	3 275 554	5 895 706
Actuarial gains / (losses)	14	4 303 863	(2 724 074)
(Impairment loss) / Reversal of impairments	31	(22 006 481)	(18 854 340)
Inventories surplus		115 032	-
		(14 741 487)	**(16 728 953)**
Deficit for the year		**(225 757 094)**	**(138 858 919)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	41 421 494	41 421 494
Adjustments		
Correction of errors	131 360 772	131 360 772
Balance at 01 July 2021 as restated*	**172 782 266**	**172 782 266**
Changes in net assets		
Deficit as previously reported	(211 869 126)	(211 869 126)
Correction of errors	73 010 206	73 010 206
Total changes	(138 858 920)	(138 858 920)
Restated* Balance at 01 July 2022	**33 923 346**	**33 923 346**
Changes in net assets		
Deficit for the year	(225 757 094)	(225 757 094)
Total changes	(225 757 094)	(225 757 094)
Balance at 30 June 2023	**(191 833 748)**	**(191 833 748)**

* See Note 43

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		322 885 555	372 732 713
Grants		321 016 523	356 987 001
Interest income		7 856 594	1 407 374
Dividends received		7 062	-
Taxes refunded		4 966 221	-
Other receipts		4 102 865	370 809
		660 834 820	731 497 897
Payments			
Employee costs		(281 388 174)	(276 004 094)
Suppliers		(293 761 712)	(402 845 116)
Finance costs		(243 160)	-
		(575 393 046)	(678 849 210)
Net cash flows from operating activities	39	**85 441 774**	**52 648 687**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(38 963 244)	(99 778 674)
Disposal of financial assets		-	266 147
Net cash flows from investing activities		**(38 963 244)**	**(99 512 527)**
Cash flows from financing activities			
Employee benefit obligation payment		(5 705 986)	(3 681 842)
Net increase/(decrease) in cash and cash equivalents		**40 772 544**	**(50 545 682)**
Cash and cash equivalents at the beginning of the year		5 199 242	55 744 924
Cash and cash equivalents at the end of the year	11	**45 971 786**	**5 199 242**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	518 124 849	-	**518 124 849**	372 300 950	**(145 823 899)**	53.01
Rental of facilities and equipment	271 968	-	**271 968**	95 444	**(176 524)**	53.02
Interest received	1 972 821	-	**1 972 821**	2 828 533	**855 712**	53.03
Other income	1 622 357	-	**1 622 357**	3 443 463	**1 821 106**	53.04
Interest received - outstanding receivables	44 361 278	-	**44 361 278**	51 106 788	**6 745 510**	53.05
Dividends received	-	-	**-**	7 062	**7 062**	53.06
Total revenue from exchange transactions	**566 353 273**	**-**	**566 353 273**	**429 782 240**	**(136 571 033)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	119 371 223	-	**119 371 223**	96 968 756	**(22 402 467)**	53.07
Transfer revenue						
Government grants and subsidies	384 454 000	(14 360 476)	**370 093 524**	301 933 037	**(68 160 487)**	53.08
Fines, penalties and forfeits	1 823 250	-	**1 823 250**	41 733	**(1 781 517)**	53.09
Interest received - outstanding receivables	-	-	**-**	18 249 725	**18 249 725**	53.05
Total revenue from non-exchange transactions	**505 648 473**	**(14 360 476)**	**491 287 997**	**417 193 251**	**(74 094 746)**	
Total revenue	**1 072 001 746**	**(14 360 476)**	**1 057 641 270**	**846 975 491**	**(210 665 779)**	
Expenditure						
Employee related costs	(266 190 371)	-	**(266 190 371)**	(262 012 444)	**4 177 927**	53.10
Remuneration of councillors	(17 147 643)	-	**(17 147 643)**	(16 678 658)	**468 985**	53.10
Transfer payments - Other	(180 000)	-	**(180 000)**	-	**180 000**	53.11
Depreciation and amortisation	(75 402 256)	-	**(75 402 256)**	(50 420 130)	**24 982 126**	53.26
Impairment	-	-	**-**	(22 006 481)	**(22 006 481)**	53.06
Finance costs	(21 171 215)	-	**(21 171 215)**	(78 302 703)	**(57 131 488)**	53.12
Debt impairment	(96 601 631)	-	**(96 601 631)**	(202 115 782)	**(105 514 151)**	53.13
Bulk purchases	(444 214 235)	-	**(444 214 235)**	(286 130 055)	**158 084 180**	53.14
Contracted services	(26 270 737)	(614 000)	**(26 884 737)**	(33 306 228)	**(6 421 491)**	53.27
Repairs and maintenance	(35 894 364)	(150 000)	**(36 044 364)**	(13 531 471)	**22 512 893**	53.15
General expenses	(29 051 703)	471 273	**(28 580 430)**	(115 493 627)	**(86 913 197)**	53.16
Total expenditure	**(1 012 124 155)**	**(292 727)**	**(1 012 416 882)**	**(1 079 997 579)**	**(67 580 697)**	
Operating surplus / (deficit)	**59 877 591**	**(14 653 203)**	**45 224 388**	**(233 022 088)**	**(278 246 476)**	
Loss on disposal of assets and liabilities	-	-	**-**	(429 455)	**(429 455)**	53.06
Fair value adjustments	-	-	**-**	3 275 554	**3 275 554**	53.06
Actuarial gains	-	-	**-**	4 303 863	**4 303 863**	53.06
Inventories surplus/(losses)	-	-	**-**	115 032	**115 032**	53.06
	-	**-**	**-**	**7 264 994**	**7 264 994**	
Surplus / (Deficit) for the year	**59 877 591**	**(14 653 203)**	**45 224 388**	**(225 757 094)**	**(270 981 482)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**59 877 591**	**(14 653 203)**	**45 224 388**	**(225 757 094)**	**(270 981 482)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(72 473 948)	164 870 970	**92 397 022**	3 218 463	**(89 178 559)**	53.17
Receivables from non-exchange transactions	114 469 992	-	**114 469 992**	28 755 118	**(85 714 874)**	53.18
Receivables from exchange transactions	-	-	**-**	140 360 057	**140 360 057**	53.18
VAT receivable	-	-	**-**	327 884 428	**327 884 428**	53.06
Other receivables	495 721 275	-	**495 721 275**	1 544 666	**(494 176 609)**	53.19
Cash and cash equivalents	45 933 800	(14 766 000)	**31 167 800**	45 971 786	**14 803 986**	53.20
	583 651 119	**150 104 970**	**733 756 089**	**547 734 518**	**(186 021 571)**	
Non-Current Assets						
Investment property	490 852 964	-	**490 852 964**	172 880 594	**(317 972 370)**	53.21
Property, plant and equipment	1 478 867 230	(14 446 000)	**1 464 421 230**	1 622 305 552	**157 884 322**	53.10
Other financial assets	-	-	**-**	741 083	**741 083**	53.06
	1 969 720 194	**(14 446 000)**	**1 955 274 194**	**1 795 927 229**	**(159 346 965)**	
Total Assets	**2 553 371 313**	**135 658 970**	**2 689 030 283**	**2 343 661 747**	**(345 368 536)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	2 342 966 945	-	**2 342 966 945**	2 308 933 119	**(34 033 826)**	53.10
Consumer deposits	5 079 611	-	**5 079 611**	4 885 833	**(193 778)**	53.10
Employee benefit obligation	-	-	**-**	3 619 982	**3 619 982**	53.06
Unspent conditional grants and receipts	-	-	**-**	79 119 367	**79 119 367**	53.06
Provisions	95 012 634	-	**95 012 634**	-	**(95 012 634)**	53.22
	2 443 059 190	**-**	**2 443 059 190**	**2 396 558 301**	**(46 500 889)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	32 626 054	**32 626 054**	53.06
Provisions	-	-	**-**	106 311 140	**106 311 140**	53.22
	-	**-**	**-**	**138 937 194**	**138 937 194**	
Total Liabilities	**2 443 059 190**	**-**	**2 443 059 190**	**2 535 495 495**	**92 436 305**	
Net Assets	**110 312 123**	**135 658 970**	**245 971 093**	**(191 833 748)**	**(437 804 841)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus / (deficit)	110 312 123	135 658 970	**245 971 093**	(191 833 748)	**(437 804 841)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	83 559 856	-	**83 559 856**	-	**(83 559 856)**	53.07
Cash received from customers	409 661 973	-	**409 661 973**	322 885 555	**(86 776 418)**	53.01
Government grants and subsidies	384 454 000	-	**384 454 000**	321 016 523	**(63 437 477)**	53.08
Interest income	1 972 821	-	**1 972 821**	7 856 594	**5 883 773**	53.03
Dividends received	-	-	**-**	7 062	**7 062**	53.06
Other receipts	60 972 296	-	**60 972 296**	4 102 865	**(56 869 431)**	53.04
Taxes refunded	-	-	**-**	4 966 221	**4 966 221**	
	940 620 946	**-**	**940 620 946**	**660 834 820**	**(279 786 126)**	
Payments						
Suppliers and employee costs	(771 040 687)	-	**(771 040 687)**	(575 393 046)	**195 647 641**	53.23
Net cash flows from operating activities	**169 580 259**	**-**	**169 580 259**	**85 441 774**	**(84 138 485)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(135 279 850)	-	**(135 279 850)**	(38 963 244)	**96 316 606**	53.24
Cash flows from financing activities						
Employee benefit obligation	-	-	**-**	(5 705 986)	**(5 705 986)**	53.06
Increase (decrease) in consumer deposits	(29 189)	-	**(29 189)**	-	**29 189**	53.25
Net cash flows from financing activities	**(29 189)**	**-**	**(29 189)**	**(5 705 986)**	**(5 676 797)**	
Net increase/(decrease) in cash and cash equivalents	34 271 220	-	**34 271 220**	40 772 544	**6 501 324**	
Cash and cash equivalents at the beginning of the year	56 709 256	-	**56 709 256**	5 199 242	**(51 510 014)**	
Cash and cash equivalents at the end of the year	**90 980 476**	**-**	**90 980 476**	**45 971 786**	**(45 008 690)**	

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 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 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.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Significant judgements include:

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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, held to maturity investments and loans and 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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.

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

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. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

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. They are significantly affected by a number of factors including, together with economic factors such as exchange rates inflation and interest rate.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions for landfill sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure assets' useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

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

Allowance for doubtful debts

On receivables 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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

IGRAP 18 Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par .41):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par.40):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land parcels where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. These land parcels are not recognised by the municipality.

1.4 Investment property

Initial recognition

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.

Subsequent Measurement - 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.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Investment property (continued)

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.5 Property, plant and equipment

Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

1.5 Property, plant and equipment (continued)

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

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

Subsequent measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component at cost.
Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and impairment
Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Airport	Straight-line	15 to 20 years
Plant and machinery	Straight-line	05 to 15 years
Furniture and fittings	Straight-line	05 to 10 years
Motor vehicles	Straight-line	03 to 20 years
Office equipment	Straight-line	03 to 06 years
IT equipment	Straight-line	03 to 06 years
Infrastructure	Straight-line	03 to 100 years

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.

Derecognition

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Financial instruments

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

1.6 Financial instruments (continued)

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 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.

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.

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.

1.6 Financial instruments (continued)

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	Category
Other financial assets	Financial asset measured at amortised cost and fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	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.

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.

Accounting Policies

1.6 Financial instruments (continued)

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, referenced 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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instruments that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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 uncollectibility 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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the 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 :
  - derecognises the asset; and
  - recognises 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.

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 recognises 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 recognises 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.

1.6 Financial instruments (continued)

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, expired 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).

1.6 Financial instruments (continued)

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.7 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.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

1.7 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

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

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

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

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

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

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

1.8 Tax

Value Added Tax (VAT)

1.8 Tax (continued)

The municipality accounts for VAT on accrual basis on the Finanial Statements and VAT return/reclaimable on cash basis. The municipality is liable to account for VAT at a standard rate of 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.9 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.

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 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.

1.10 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.

1.10 Inventories (continued)

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.

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.

1.11 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.

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.

1.11 Impairment of cash-generating assets (continued)

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

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.

Accounting Policies

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than 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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

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.

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.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

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.

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.

1.13 Accumulated Surplus / (Deficit)

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.14 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 considered 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.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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.

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 entity 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.

1.14 Employee benefits (continued)

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.

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 valuations 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-measures 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 reimburse is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Other post retirement obligations

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 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 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 deficits.

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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:
- 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;

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.

1.16 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.

1.16 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 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.

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 services performed to date as a percentage of total services to be performed.

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.

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.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Taxes / Property rates

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

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

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

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

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

Transfers

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

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

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

Fines

Fines 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. The 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 receivables.

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

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

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

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

1.19 Investment income

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

Accounting Policies

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 Comparative figures

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

1.22 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.

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:
“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:
(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;
(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(iv) The municipality’s supply chain management policy, and any by-laws giving effect to that policy in the current financial year.

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

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

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

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

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

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

1.25 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.

1.25 Segment information (continued)

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.

1.26 Budget information

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

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

The approved budget is prepared on 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.

1.27 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.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

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

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

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

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

1.29 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.30 Unspent conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items affect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of this interpretation is 01 April 2023.

The municipality has adopted the interpretation for the first time in the 2022/2023 annual financial statements.

The impact of the interpretation is not material.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph 35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality has adopted the improvements for the first time in the 2022/2023 annual financial statements.

The impact of the improvements is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A municipality applies judgement based on past experience, current facts and circumstances.

The effective date of this amendment is on 01 April 2023.

The municipality has adopted the amendment for the first time in the 2022/2023 annual financial statements.

The impact of the amendment is not material.

2.2 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:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

2. New standards and interpretations (continued)

The effective date of the guideline is not yet set by the Minister of Finance

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respect where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the revisions will have a material impact on the municipality's annual financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the revisions will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01 April 2025.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	172 880 594	-	172 880 594	169 657 108	-	169 657 108

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	169 657 108	3 223 486	172 880 594

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	163 761 688	5 895 420	169 657 108

Pledged as security

No investment property's carrying value was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

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.

Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by West Rand Consulting (Pty) Ltd. Mr. P.H. Venter was the valuer at West Rand Consulting (Pty) Ltd performing the valuations. Mr. P.H. Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession (registration number 7428), a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

Prior year revaluation was performed from 2021 to 2023.

These assumptions are based on current market conditions

Refer to note 43 for prior period corrections made to investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	95 444	108 023

Notes to the Annual Financial Statements

Figures in Rand

4. 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	20 052 053	-	20 052 053	20 052 053	-	20 052 053
Buildings	133 202 464	(44 367 659)	88 834 805	131 754 871	(36 640 761)	95 114 110
Plant and machinery	13 972 793	(5 498 669)	8 474 124	9 968 260	(4 909 728)	5 058 532
Furniture and fittings	6 574 300	(4 891 774)	1 682 526	6 248 722	(4 595 179)	1 653 543
Motor vehicles	19 731 310	(9 661 587)	10 069 723	17 133 836	(8 405 439)	8 728 397
Computer equipment	7 536 638	(4 931 694)	2 604 944	6 651 459	(4 552 800)	2 098 659
Road network	913 616 417	(288 515 609)	625 100 808	910 031 843	(259 931 872)	650 099 971
Community	136 120 796	(45 374 217)	90 746 579	137 072 953	(39 773 606)	97 299 347
Landfill sites	47 328 868	(22 886 410)	24 442 458	47 784 699	(21 563 126)	26 221 573
Solid waste disposal	3 540 219	(537 001)	3 003 218	2 384 903	(411 073)	1 973 830
Electricity network	190 304 298	(52 039 807)	138 264 491	187 413 539	(46 548 572)	140 864 967
Wastewater network	411 397 806	(96 868 276)	314 529 530	413 304 248	(85 294 675)	328 009 573
Water network	347 541 513	(53 041 220)	294 500 293	311 556 645	(43 738 853)	267 817 792
Total	**2 250 919 475**	**(628 613 923)**	**1 622 305 552**	**2 201 358 031**	**(556 365 684)**	**1 644 992 347**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work-in-progress	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	20 052 053	-	-	-	-	-	-	-	-	20 052 053
Buildings	95 114 110	333 050	-	-	1 114 543	-	(2 585 381)	(5 141 517)	-	88 834 805
Plant and machinery	5 058 532	4 004 533	-	-	-	-	(519 887)	(69 054)	-	8 474 124
Furniture and fittings	1 653 543	325 576	-	-	-	-	(296 593)	-	-	1 682 526
Motor vehicles	8 728 397	3 205 300	-	(429 455)	-	-	(1 434 519)	-	-	10 069 723
Computer equipment	2 098 659	885 180	-	-	-	-	(378 895)	-	-	2 604 944
Road network	650 099 971	-	3 297 783	-	286 791	-	(23 193 988)	(5 414 686)	24 937	625 100 808
Community	97 299 347	-	(1 204 641)	-	252 484	-	(2 669 658)	(2 931 773)	820	90 746 579
Landfill site	26 221 573	-	-	-	-	(455 831)	(1 323 284)	-	-	24 442 458
Solid waste disposal	1 973 830	-	-	-	1 155 316	-	(89 129)	(36 799)	-	3 003 218
Electricity network	140 864 967	2 890 758	-	-	-	-	(4 050 601)	(1 571 794)	131 161	138 264 491
Wastewater network	328 009 573	397 350	(2 303 792)	-	-	-	(8 926 518)	(2 647 083)	-	314 529 530
Water network	267 817 792	6 234 521	29 051 049	-	699 298	-	(4 951 677)	(4 352 024)	1 334	294 500 293
	1 644 992 347	**18 276 268**	**28 840 399**	**(429 455)**	**3 508 432**	**(455 831)**	**(50 420 130)**	**(22 164 730)**	**158 252**	**1 622 305 552**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Work-in-progress	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	20 052 053	-	-	-	-	-	-	-	-	20 052 053
Buildings	99 950 417	406 741	-	-	-	-	(2 643 051)	(2 602 708)	2 711	95 114 110
Plant and machinery	2 971 715	1 273 485	-	-	1 142 825	-	(369 556)	(31 592)	71 655	5 058 532
Furniture and fittings	1 336 629	431 887	-	-	-	-	(241 221)	(22 100)	148 348	1 653 543
Motor vehicles	5 447 032	5 603 128	-	(610 413)	-	-	(1 129 463)	(581 887)	-	8 728 397
Computer equipment	1 312 771	846 749	-	-	-	-	(256 236)	(2 891)	198 266	2 098 659
Road network	662 311 877	99 950	11 254 760	-	-	-	(23 200 580)	(420 773)	54 737	650 099 971
Community	104 287 811	-	1 204 641	-	-	-	(2 829 889)	(5 364 931)	1 715	97 299 347
Landfill site	26 541 370	-	-	-	-	958 013	(1 277 810)	-	-	26 221 573
Landfill sites	2 044 785	-	-	-	-	-	(70 955)	-	-	1 973 830
Electricity network	137 779 892	7 882 752	948 455	-	-	-	(3 989 538)	(2 054 518)	297 924	140 864 967
Wastewater network	320 689 015	2 616 490	(10 176 350)	(169 685)	28 108 179	-	(8 640 173)	(4 417 903)	-	328 009 573
Water network	225 592 227	2 703 798	48 453 146	-	149 600	-	(4 950 584)	(4 498 355)	367 960	267 817 792
	1 610 317 594	**21 864 980**	**51 684 652**	**(780 098)**	**29 400 604**	**958 013**	**(49 599 056)**	**(19 997 658)**	**1 143 316**	**1 644 992 347**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	152 538 208	2 866 133	155 404 341
Additions/capital expenditure	32 348 833	-	32 348 833
Transferred to completed items	(2 303 791)	(1 204 641)	(3 508 432)
	182 583 250	**1 661 492**	**184 244 742**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	102 058 198	1 661 492	103 719 690
Additions/capital expenditure	89 036 549	1 204 641	90 241 190
Disposal of work-in-progress (meters)	(9 305 535)	-	(9 305 535)
Transferred to completed items	(29 251 004)	-	(29 251 004)
	152 538 208	**2 866 133**	**155 404 341**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment		
General expenses	13 429 080	10 542 004

Refer to note 43 for prior period corrections made to property, plant and equipment

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.

Pledged as security

There is no property, plant and equipment pledged as security for overdraft facilities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electricity infrastructure	5 363 831	5 363 831
Community	1 661 492	2 866 133
Roads	15 034 213	11 736 430
Wastewater network	9 950 127	12 253 918
Water network	152 235 079	123 184 029
	184 244 742	**155 404 341**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of Edenville Sports Complex	1 661 492	1 661 492
Refurbishment of Parys/Tumahole water treatment plant	4 319 700	4 319 700
	5 981 192	**5 981 192**

5. Other financial assets

Designated at fair value		
Sanlam shares	143 075	129 638
2452 shares trading @ R58.35 (2022: R52.87)		
At amortised cost		
Heilbron Sanlam policy	598 008	559 376
Policy number - 040571573X1		
Total other financial assets	**741 083**	**689 014**

Non-current assets		
Designated at fair value	143 075	129 638
At amortised cost	598 008	559 376
	741 083	**689 014**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2023	2022
Level 1		
Class 2	143 075	129 638

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

6. Other receivables

	2023	2022
Other receivables	1 544 666	2 162 335

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Inventories

Water for distribution	100 044	100 044
Stores and material	3 118 419	3 041 232
	3 218 463	**3 141 276**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities.

8. Receivables from non-exchange transactions

Property rates	253 941 078	214 338 092
Allowance for impairment - Property rates	(225 185 960)	(188 344 870)
	28 755 118	**25 993 222**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

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

Fair value of receivables from non-exchange transactions

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 18 400 249 (2022: R 16 739 592) were past due but not impaired.

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

1 month past due but not impaired	805 432	588 713
2 months past due but not impaired	3 329 320	2 833 050
3 months and more past due but not impaired	14 265 497	13 317 829

Rates aging		
Current (0 - 30 days)	9 168 468	8 469 150
31 - 60 days	6 529 502	5 752 400
61 - 90 days	5 925 235	5 261 336
91 - 120 days	5 518 077	5 039 929
121 - 365 days	37 439 549	31 382 521
> 365 days	189 360 247	158 432 756
Less: Impairment	(225 185 960)	(188 344 870)
	28 755 118	**25 993 222**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R 225 185 960 (2022: R 188 344 870) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

9. Receivables from exchange transactions

	2023	2022
Gross balances		
Consumer debtors - Electricity	183 876 262	160 416 558
Consumer debtors - Water	296 240 919	275 272 034
Consumer debtors - Waste water	210 713 577	178 544 447
Consumer debtors - Waste	152 629 316	133 483 083
Consumer debtors - Sundry receivables	6 051 461	5 153 389
	849 511 535	**752 869 511**
Less: Allowance for impairment		
Consumer debtors - Electricity	(123 685 372)	(105 569 384)
Consumer debtors - Water	(281 584 942)	(257 112 218)
Consumer debtors - Waste water	(164 642 922)	(145 205 989)
Consumer debtors - Waste	(133 918 808)	(118 156 969)
Consumer debtors - Sundry debtors	(5 319 434)	(4 791 943)
	(709 151 478)	**(630 836 503)**
Net balance		
Consumer debtors - Electricity	60 190 890	54 847 174
Consumer debtors - Water	14 655 977	18 159 816
Consumer debtors - Waste water	46 070 655	33 338 458
Consumer debtors - Waste	18 710 508	15 326 114
Consumer debtors - Sundry receivables	732 027	361 446
	140 360 057	**122 033 008**
Electricity		
Current (0 -30 days)	17 851 850	18 150 776
31 - 60 days	5 152 962	4 808 384
61 - 90 days	4 070 522	3 996 393
91 - 120 days	3 445 311	5 458 267
121 - 365 days	26 740 824	22 855 188
> 365 days	126 614 793	105 147 549
Less: Impairment	(123 685 372)	(105 569 384)
	60 190 890	**54 847 173**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	12 297 372	13 939 664
31 - 60 days	6 794 869	8 552 864
61 - 90 days	6 750 607	10 025 599
91 - 120 days	5 915 863	6 047 373
121 - 365 days	45 073 780	39 520 322
> 365 days	219 408 428	197 186 212
Less: Impairment	(281 584 942)	(257 112 218)
	14 655 977	**18 159 816**

Waste water		
Current (0 -30 days)	6 059 760	6 198 734
31 - 60 days	5 275 618	5 333 424
61 - 90 days	5 135 475	5 161 453
91 - 120 days	5 021 362	4 825 843
121 - 365 days	35 968 062	67 410 056
> 365 days	153 253 300	89 614 937
Less: Impairment	(164 642 922)	(145 205 989)
	46 070 655	**33 338 458**

Waste		
Current (0 -30 days)	4 459 060	4 886 972
31 - 60 days	3 819 075	4 190 645
61 - 90 days	3 688 570	4 047 461
91 - 120 days	3 592 397	3 898 553
121 - 365 days	26 612 034	22 378 674
> 365 days	110 458 180	94 080 778
Less: Impairment	(133 918 808)	(118 156 969)
	18 710 508	**15 326 114**

Sundry receivables		
Current (0 -30 days)	143 652	49 285
31 - 60 days	58 067	39 187
61 - 90 days	50 801	52 442
91 - 120 days	389 284	36 591
121 - 365 days	394 795	362 856
> 365 days	5 014 862	4 613 027
Less: Impairment	(5 319 434)	(4 791 943)
	732 027	**361 445**

Figures in Rand	2023	2022

9. Receivables from exchange transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	22 517 420	21 814 761
31 - 60 days	15 620 882	18 003 731
61 - 90 days	15 006 954	19 201 100
91 days plus	634 442 398	564 784 902
	687 587 654	623 804 494
Less: Allowance for impairment	(669 266 310)	(602 459 820)
	18 321 344	**21 344 674**

Industrial/ commercial		
Current (0 -30 days)	10 454 162	11 560 357
31 - 60 days	5 817 251	5 109 755
61 - 90 days	4 660 661	3 885 559
91 days plus	137 488 409	114 358 593
	158 420 483	134 914 264
Less: Allowance for impairment	(139 098 740)	(116 508 485)
	19 321 743	**18 405 779**

Farm and agriculture		
Current (0 -30 days)	2 893 173	2 258 530
31 - 60 days	2 526 390	2 015 055
61 - 90 days	2 466 355	2 093 512
91 days plus	112 888 377	92 006 551
	120 774 295	98 373 648
Less: Allowance for impairment	(119 280 603)	(97 009 785)
	1 493 692	**1 363 863**

Indigents		
Current (0 -30 days)	1 723 306	140 581
31 - 60 days	13 569	53 196
61 - 90 days	5 142	49 877
91 days plus	4 949 768	2 959 629
	6 691 785	3 203 283
Less: Allowance for impairment	(6 691 785)	(3 203 283)
	-	**-**

National and Provincial Government		
Current (0 -30 days)	3 962 441	3 981 772
31 - 60 days	3 652 000	3 495 166
61 - 90 days	3 482 098	3 314 635
91 days plus	110 452 195	84 181 759
	121 548 734	**94 973 332**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(819 181 372)	(715 497 330)
Contributions to allowance	(202 115 782)	(165 818 689)
VAT provision on impairment	(6 355 687)	(7 871 350)
Debt impairment written off against the allowance	93 315 401	70 005 997
	(934 337 440)	**(819 181 372)**

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of receivables from exchange transactions

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

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 96 638 352 (2022: R 71 411 187) were past due but not impaired.

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

1 month past due but not impaired	4 257 607	3 816 607
2 months past due but not impaired	25 004 141	22 439 208
3 months and more past due but not impaired	67 376 604	45 155 372

Receivables from exchange transaction impaired

As of 30 June 2023, receivables from exchange transactions of R 709 151 478 (2022: R 630 836 503) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

10. VAT receivable

VAT	327 884 428	289 112 292

Figures in Rand	2023	2022

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	44 035	20 042
Bank balances	923 463	789 863
Short-term deposits	45 004 288	4 389 337
	45 971 786	**5 199 242**

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 account - 405-2707-733	531 463	789 863	2 000	923 463	789 863	(133 729)
ABSA Bank - Call account - 925-3832-988	1 892 149	3 053 762	2 071 570	1 892 149	3 053 762	2 071 570
ABSA Bank - Call account - 925-3833-502	21 178 093	4 295	52 530 112	21 178 093	4 295	52 530 112
ABSA Bank - Call account - 925-3833-764	9 015 769	12 611	13 972	9 015 769	12 611	13 972
ABSA Bank - Call account - 925-3835-643	1 187	1 143	1 133	1 187	1 143	1 138
ABSA Bank - Call account - 928-6271-086	12 644 789	1 059 902	1 031 904	12 644 789	1 059 902	1 031 904
ABSA Bank - Call account - 928-6271-167	272 301	257 623	250 818	272 301	257 623	250 818
Total	**45 535 751**	**5 179 199**	**55 901 509**	**45 927 751**	**5 179 199**	**55 765 785**

12. Payables from exchange transactions

Trade payables	96 347 622	185 855 108
Payments received in advance	45 878 067	41 649 429
Accrued leave pay	23 532 115	22 438 074
Accrued bonus	5 724 391	5 832 492
Deposits received	195 632	195 632
Other payables	7 171 953	5 887 334
Eskom	1 869 514 562	1 547 356 339
Bulk water supply	221 958 164	170 906 835
Salary suspense account	14 964 948	19 988 000
Unallocated receipts	5 182	5 182
Retention	10 313 675	11 732 571
Deferred income	247	-
National Treasury - Conditional grants payable	13 326 561	-
	2 308 933 119	**2 011 846 996**

13. Consumer deposits

Electricity	4 885 833	4 884 153

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. 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 benefit	20 715 922	22 719 831
Present value of the long service award benefit	15 530 114	18 013 116
	36 246 036	**40 732 947**
Non-current liabilities	32 626 054	35 027 154
Current liabilities	3 619 982	5 705 793
	36 246 036	**40 732 947**

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

Opening balance	40 732 947	37 293 653
Net expense recognised in the statement of financial performance	(4 486 911)	3 439 294
	36 246 036	**40 732 947**

Net expense recognised in the statement of financial performance

Current service cost	1 340 040	1 335 304
Interest cost	4 182 898	3 061 758
Acturial (gains) losses	(4 303 863)	2 724 074
Contributions made	(5 705 986)	(3 681 842)
	(4 486 911)	**3 439 294**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service award	(1 904 214)	509 274
Actuarial (gains) losses – Medical aid	(2 399 649)	2 214 800
	(4 303 863)	**2 724 074**

14. Employee benefit obligations (continued)

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed.

Long Service benefits

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 25 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	5,69 %	6,93 %
CPI (Long service awards)	5,69 %	7,20 %
Discount rate (Medical aid)	11,23 %	11,66 %
Discount rate (Long service award)	10,33 %	10,22 %
Health care cost inflation (Medical aid)	7,19 %	8,43 %
Salary increase rate (Long service awards)	6,69 %	8,20 %
Net discount rate (Medical aid)	3,77 %	2,98 %
Net discount rate (Long service awards)	3,41 %	1,87 %
Continuation percentage	100,00 %	100,00 %
Average retirement age	63	63

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Other assumptions

The effect of a one percent increase and decrease in health care cost inflation rate and the salary increase rate would have the following effects:

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability (Long service awards)	16 424 291	14 706 557
Current service cost (Long service awards)	1 077 612	958 111
Interest cost (Long service awards)	1 600 438	1 422 996
Employer's accrued liability (Medical aid)	22 318 830	19 279 698
Current service cost (Medical aid)	67 330	53 560
Interest cost (Medical aid)	2 408 587	17 837 433

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	36 246 036	40 732 947	37 293 653	33 891 040	36 251 855

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds that are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information is required for proper defined benefits accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is	(4 486 911)	3 439 294

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	26 096 233	4 605 292
Regional Infrastructure Grant (RBIG)	27 358 286	40 045 969
Water Services Infrastructure Grant (WSIG)	5 414 848	13 040 589
Municipal Support Grant (MSG)	5 250 000	5 250 000
Integrated National Electrification Program (INEP)	15 000 000	8 857 592
	79 119 367	**71 799 442**

Movement during the year

Balance at the beginning of the year	71 799 442	48 754 911
Additions during the year	322 579 523	356 987 000
Income recognition during the year	(315 259 598)	(333 942 469)
	79 119 367	**71 799 442**

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	99 792 960	(455 831)	6 974 011	106 311 140

Reconciliation of provisions - 2022

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	94 903 105	958 013	3 931 842	99 792 960

16. Provisions (continued)

Environmental rehabilitation provision

Ngwathe Local Municipality consists of five (5) towns (Parys, Heilbron, Vredefort, Edenville and Koppies). Heilbron, Vredefort, Edenville and Koppies are located in an area of agricultural significance and Parys is the central business district of Ngwathe Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Key assumptions used:

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2023 was 12.31% p.a. The consumer price inflation of 5.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2023.

Discount rate (D) 12.31%
Consumer price inflation (C) 5.40%
Net discount rate 6.56%

Site life calculation:

Parys Landfill Site:

The landfill site is situated approximately 480 meters from Parys town. Parys is a town in the Free State, and it is situated on the banks of the Vaal River. The Parys landfill site is responsible for accommodating the solid waste of Parys Golf and Country Estate, Parys SP and Vaal de Grace Golf Estate. The total population of the mentioned towns accumulates to 9 447 in 2023. (Census 2011 adjusted to 2023 at 1.42% annually)

The site is accessed by a gravel road and its coordinates are 27.508718°E 26.9119039°S. The estimated total footprint of the item is approximately 82 000 m2 and the fully utilized area is approximately 22 100 m2. A total of 59 900 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 39277.86 m3..

The remaining life is calculated at 26 years, up to 2049 based on the annual population growth and available air space

Heilbron Landfill site:

The landfill site is situated approximately 1.3 km from Sandersville, which is the township of Heilbron. Heilbron is a town in the Free State, and it is situated approximately 50.9 km from Koppies town. The Heilbron landfill site is responsible for accommodating the solid waste of Heilbron SP, Sandersville SP and Phiritona SP. The total population of the mentioned towns accumulates to 32 078 in 2023. (Census 2011 adjusted to 2023 at 1.42% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.269488°S 27.958318°E. The estimated total footprint of the item is approximately 160 500 m2 and the fully utilized area is approximately 80 500 m2. A total 75 600 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 83 002.10 m3.

Figures in Rand	2023	2022

16. Provisions (continued)

The remaining life is calculated at 2 years, up to 2025 based on the annual population growth and available air space.

Vredefort Landfill site:

The landfill site is situated approximately 800 meters from Vredefort town. Vredefort is a town in the Free State, and it is situated approximately 16.6 km from Parys. The Vredefort landfill site is responsible for accommodating the solid waste of Vredefort SP and Mokwallo which is the township of Vredefort. The total population of the mentioned towns accumulates to 17 111 in 2023. (Census 2011 adjusted to 2023 at 1.42% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.000377°S 27.353161°E. The estimated total footprint of the item is approximately 80 000 m2 and the fully utilized area is approximately 31 200 m2. A total 49 400 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 34 105.13 m3.

The remaining life is calculated at 10 years, up to 2033 based on the annual population growth and available air space.

Edenville Landfill site:

The landfill site is situated approximately 410 meters from Edenville town. Edenville is a town in the Free State, and it is situated approximately 51.9 km from Koppies. The Edenville landfill site is responsible for accommodating the solid waste of Edenville SP and Ngwathe SP which is the township of Edenville. The total population of the mentioned towns accumulates to 7 367 in 2023. (Census 2011 adjusted to 2023 at 1.42% annually).

The site is accessed by a gravel road which leads to Edenville town, and its coordinates are 27.562892°S 27.672590°E. The estimated total footprint of the item is approximately 47 550 m2. A total of 7 400 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 1 856.56 m3.

The remaining life is calculated at 32 years, up to 2054 based on the annual population growth and available air space.

Koppies Landfill site:

The landfill site is situated approximately 1 482 meters from Koppies town. Koppies is a town in the Free State, and it is situated approximately 51.9 km from Edenville. The Koppies landfill site is responsible for accommodating the solid waste of Koppies SP and Kwakwatsi SP which is the township of Koppies. The total population of the mentioned towns accumulates to 16 155.03 in 2023. (Census 2011 adjusted to 2023 at 1.42% annually).

The site is accessed by a gravel road which links with the R82 asphalt road, and its coordinates are 27.241007?S 27.552804?E. The estimated total footprint of the item is approximately 162 000 m2 and the fully utilized area is approximately 10 400 m2. A total 13 600 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 1 353.69 m3.

The remaining life is calculated at 43 years, up to 2066 based on the annual population growth and available air space.

17. Revenue

Service charges	372 300 950	408 209 902
Rental of facilities and equipment	95 444	108 023
Other income	3 443 463	2 037 482
Interest received from exchange transactions	53 935 321	34 171 945
Dividends received	7 062	-
Property rates	96 968 756	104 441 186
Interest received from non-exchange transactions	18 249 725	10 390 907
Government grants and subsidies	301 933 037	333 942 470
Fines, penalties and forfeits	41 733	228 647
Donations received	-	3 171 561
Interest recovered	-	7 683 923
	846 975 491	**904 386 046**

Figures in Rand	2023	2022

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	372 300 950	408 209 902
Rental of facilities and equipment	95 444	108 023
Other income	3 443 463	2 037 482
Interest received from exchange transactions	53 935 321	34 171 945
Dividends received	7 062	-
	429 782 240	**444 527 352**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	96 968 756	104 441 186
Transfer revenue		
Government grants and subsidies	301 933 037	333 942 470
Interest received from non-exchange transactions	18 249 725	10 390 907
Fines, penalties and forfeits	41 733	228 647
Donations received	-	3 171 561
Interest recovered	-	7 683 923
	417 193 251	**459 858 694**

18. Service charges

Sale of electricity	209 078 142	233 930 610
Sale of water	66 816 193	74 235 966
Sewerage and sanitation charges	56 397 243	56 317 040
Refuse removal	40 009 372	43 726 286
	372 300 950	**408 209 902**

19. Rental of facilities and equipment

Premises		
Buildings and housing	864	60
Venue hire	26 103	27 894
Camps	3 228	14 790
Buildings and housing	65 249	65 279
	95 444	**108 023**

20. Other income

Building plans and inspections	158 586	183 738
Clearance certificates	125 809	156 452
Reconnection / connection fees	313 547	695 758
Grave plots	700 382	616 369
Tender deposits	297 339	316 552
Sundry income	173 585	50 940
Sale of land	1 674 215	17 673
	3 443 463	**2 037 482**

21. Interest recovered

Interest recovered from SARS	-	7 683 923

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Interest received from exchange transactions

Dividend revenue		
Listed financial assets - Local	7 062	-
Interest revenue		
Other financial asset	2 828 533	1 407 374
Interest charged on trade and other receivables	51 106 788	32 764 571
	53 935 321	**34 171 945**
	53 942 383	**34 171 945**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R51 106 788 (2022: R32 764 571).

23. Interest received from non-exchange transactions

Interest charged on trade and other receivables	18 249 725	10 390 907

24. Property rates

Rates received

Property rates	96 968 756	104 441 186

Valuations

Agriculture	4 971 608 783	4 973 735 783
Business	675 525 181	695 600 182
Churches	200 000	102 380 000
Government	531 656 040	547 481 040
Industrial	53 350 000	54 910 000
Municipal	90 000	222 548 400
Other	3 310 000	1 188 400
Public Service Infrastructure	15 186 000	16 121 000
Residents	5 933 826 755	6 019 341 304
Schools	3 100 000	3 100 000
	12 187 852 759	**12 636 406 109**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2024.

25. Donations received

Sasol	-	3 171 561

Sasol donated fire engines to the Municipality during the 2022 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Government grants and subsidies

Operating grants		
Equitable share	241 451 000	228 425 345
Local Government Finance Management Grant (FMG)	3 100 000	3 000 000
Local Government Sector Education and Training Authority Grant (LGSETA)	405 524	-
Provincial Treasury Subsidy (Audit fees)	1 563 000	-
Expanded Public Works Programme (EPWP)	2 240 000	1 672 000
	248 759 524	**233 097 345**
Capital grants		
Department of Mineral and Energy Grant (INEG)	-	1 142 408
Municipal Infrastructure Grant (MIG)	13 206 059	39 634 707
Regional Bulk Infrastructure Grant (RBIG)	22 641 713	38 875 031
Water Service Infrastructure Grant (WSIG)	17 325 741	21 192 979
	53 173 513	**100 845 125**
	301 933 037	**333 942 470**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58 513 512	105 517 125
Unconditional grants received	243 419 525	228 425 345
	301 933 037	**333 942 470**

Equitable Share

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

Equitable share		
Current year receipts	192 374 000	190 904 000
Transferred to revenue	(241 451 000)	(228 425 345)
Grants withheld	49 077 000	37 521 345
	-	**-**

Department of Mineral and Energy Grant (INEG)

Balance unspent at beginning of year	8 857 592	-
Current-year receipts	15 000 000	10 000 000
Conditions met - transferred to revenue	-	(1 142 408)
Grants withheld and transferred to equitable share	(8 857 592)	-
	15 000 000	**8 857 592**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Figures in Rand	2023	2022

26. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 605 292	2 828 639
Current-year receipts	42 897 000	44 240 000
Conditions met - transferred to revenue	(13 206 059)	(39 634 708)
Grants withheld and transferred to equitable share	(8 200 000)	(2 828 639)
	26 096 233	**4 605 292**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Local Government Finance Management Grant (FMG)

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

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	2 240 000	1 672 000
Conditions met - transferred to revenue	(2 240 000)	(1 672 000)
	-	**-**

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Energy Efficiency and Demand Side Management Grant (EEDG)

Balance unspent at beginning of year	-	5 323
Grants withheld and transferred to equitable share	-	(5 323)
	-	**-**

This grant relates to municipal expenditure on the provision of electricity on new and residential establishments.

Provincial Treasury subsidy (water and audit fees)

Current-year receipts	1 563 000	-
Transferred to revenue	(1 563 000)	-
	-	**-**

Provincial Treasury paid R1,563,000 on behalf of Ngwathe Local Municipality as part of their outstanding audit fees owing to the Auditor General.

Figures in Rand	2023	2022

26. Government grants and subsidies (continued)

Municipal Support Grant (MSG)

Balance unspent at beginning of year	5 250 000	3 500 000
Current-year receipts	-	1 750 000
	5 250 000	**5 250 000**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipalities to provide the communities with clean drinking water, repair and provide new additional infrastructure.

Local Government Sector Education and Training Authority (LGSETA)

Current-year receipts	405 524	-
Transferred to revenue	(405 524)	-
	-	**-**

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	13 040 589	7 733 568
Current-year receipts	15 000 000	26 500 000
Conditions met - transferred to revenue	(17 325 741)	(21 192 979)
Grants withheld and transferred to equitable share	(5 300 000)	-
	5 414 848	**13 040 589**

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	40 045 969	34 687 381
Current-year receipts	50 000 000	78 921 000
Conditions met - transferred to revenue	(22 641 713)	(38 875 031)
Grants withheld and transferred to equitable share	(40 045 969)	(34 687 381)
	27 358 287	**40 045 969**

Conditions still to be met - remain liabilities (see note 15).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Fines, Penalties and Forfeits

Property Rates Penalties	41 733	228 647

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs

Basic	152 531 412	155 562 957
Bonus	13 970 238	13 405 250
Medical aid - company contributions	14 978 083	14 654 830
Unemployment insurance fund (UIF)	1 382 809	1 540 898
Other payroll levies	2 312 123	2 214 731
Leave pay provision charge	6 120 462	3 436 692
Defined contribution plans	(2 127 005)	(1 668 462)
Overtime payments	28 139 944	26 242 917
Long-service awards	(2 238 941)	(678 076)
Pension fund contributions	26 090 991	25 379 955
Car allowance	6 656 052	7 617 297
Housing benefits and allowances	586 826	542 055
Other allowances	11 225 968	11 265 021
Group life insurance	2 383 482	2 234 332
	262 012 444	**261 750 397**

Remuneration of Municipal Manager - Kannemeyer BW

Annual Remuneration	-	903 648
Car Allowance	-	268 486
Contributions to UIF, Medical and Pension Funds	-	12 758
	-	**1 184 892**

BW Kannemeyer left the services of the Municipality on 31 March 2022

Remuneration of Acting Municipal Manager - Mokgobu MF

Annual Remuneration	-	314 818
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	-	9 882
	-	**384 700**

MF Mokgobu acted as Municipal Manager from 01 April 2022 until 30 June 2022

Remuneration of Acting Municipal Manager - Nhlapo PP

Annual Remuneration	344 558	-
Car Allowance	60 000	-
Contributions to UIF, Medical and Pension Funds	4 260	-
	408 818	**-**

PP Nhlapo acted as Municipal Manager from 11 July 2022 until 01 October 2022

Remuneration of Municipal Manager - Baleni T

Annual Remuneration	505 445	-
Car Allowance	286 457	-
Contributions to UIF, Medical and Pension Funds	21 923	-
	813 825	**-**

T Baleni was appointed as Municipal Manager from 01 October 2022 until 08 March 2023

Figures in Rand	2023	2022

28. Employee related costs (continued)

Remuneration of Chief Finance Officer - Lebusa HI

Annual Remuneration	370 441	1 003 775
Car Allowance	20 000	240 000
Contributions to UIF, Medical and Pension Funds	4 258	14 204
	394 699	**1 257 979**

HI Lebusa left the services of the Municipality on 29 July 2022

Remuneration of Acting Chief Financial Officer - Xulu M

Annual Remuneration	635 492	-
Car Allowance	61 200	-
Contributions to UIF, Medical and Pension Funds	8 042	-
	704 734	**-**

M Xulu acted as Chief Financial Officer from 01 August 2022 until 31 January 2023

Remuneration of Acting Chief Financial Officer - Mpindo TA

Annual Remuneration	327 673	-
Car Allowance	35 113	-
Contributions to UIF, Medical and Pension Funds	62 817	-
	425 603	**-**

TA Mpindo acted as Chief Financial Officer from 01 February 2023 until 31 May 2023

Remuneration of Director Community Services - Nhlapo PP

Annual Remuneration	467 281	878 140
Car Allowance	60 000	365 887
Contributions to UIF, Medical and Pension Funds	5 973	13 952
	533 254	**1 257 979**

PP Nhlapo left the services of the Municipality on 25 December 2022

Remuneration of Acting Director Community Services - Monyeke NL

Annual Remuneration	474 875	-
Car Allowance	61 200	-
Contributions to UIF, Medical and Pension Funds	98 306	-
	634 381	**-**

NL Monyeke acted as Director Community Services from 01 January 2023 until 30 June 2023

Remuneration of Director Technical Services - Malunga TR

Annual Remuneration	812 749	754 736
Car Allowance	430 420	413 235
Contributions to UIF, Medical and Pension Funds	75 044	70 944
	1 318 213	**1 238 915**

Figures in Rand	2023	2022

28. Employee related costs (continued)

Remuneration of Acting Director Technical Services - Phele MJ

Annual Remuneration	81 146	-
Car Allowance	10 200	-
Contributions to UIF, Medical and Pension Funds	15 051	-
	106 397	**-**

MJ Phele acted as Director Technical Services from 01 June 2023 until 30 June 2023

Remuneration of Director Corporate Services - Mokgobu MF

Annual Remuneration	1 027 486	622 829
Car Allowance	180 000	293 807
Contributions to UIF, Medical and Pension Funds	30 993	26 934
	1 238 479	**943 570**

MF Mokgobu left the services of the Municipality on 31 March 2023

Remuneration of Acting Director Corporate Services - Majivolo ZJ

Annual Remuneration	240 901	153 048
Car Allowance	45 574	28 947
Contributions to UIF, Medical and Pension Funds	61 902	39 355
	348 377	**221 350**

ZJ Majivolo acted as Director Corporate Services from 01 April 2023 until 30 June 2023

In-Kind

Mr TM Ngesi was appointed as Acting Municipal Manager from 01 April 2023 until 30 June 2023. His remuneration during this period was paid for by COGTA

Ms KB Lepesa was appointed as Acting Chief Financial Officer from 13 June 2023. Her remuneration during this period was paid for by COGTA.

29. Remuneration of councillors

Executive Mayor	939 829	978 511
Councillors	9 720 635	9 178 255
Mayoral Committee Members	5 218 617	4 715 680
Speaker	799 577	716 555
	16 678 658	**15 589 001**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles and driver for official duties.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

29. Remuneration of councillors (continued)

Councillors 30 June 2023	Annual Remuneration	Allowances	Company contributions	Total
De Beer VE	572 460	367 368	-	939 828
Mopedi NP	601 277	198 300	-	799 577
Moloi NS	427 539	289 446	28 495	745 480
Mosepedi MTJ	435 027	310 454	-	745 481
Mofokeng MD	435 273	310 454	-	745 727
Serati MJ	435 027	310 454	-	745 481
Sefako ME	427 539	289 446	28 495	745 480
Khumalo KJ	435 027	310 454	-	745 481
Masooane D	435 027	310 454	-	745 481
Schoonwinkel A	229 955	97 010	17 246	344 211
Moseme SL	237 733	104 409	-	342 142
De Jager SHF	234 659	104 409	-	339 068
Sehume NA	237 733	104 409	-	342 142
Tyumbu MJ	234 659	104 409	-	339 068
Nthoesane SE	234 659	104 409	-	339 068
Rantsaile MM	234 659	104 409	-	339 068
Mokoena BT	234 659	104 409	-	339 068
Magashule IM	237 733	104 409	-	342 142
Moroenyane MJ	229 709	99 700	13 956	343 365
Jantjie AA	229 709	99 700	13 956	343 365
La Cock SM	234 659	104 409	-	339 068
Motaung MP	234 659	104 409	-	339 068
Matthysen Engelbrecht ME	234 659	104 409	-	339 068
Meyer JA	234 659	104 409	-	339 068
Kok S	234 659	104 409	-	339 068
De Jager AJ	234 659	104 409	-	339 068
Nteo S	237 733	104 409	-	342 142
Van der Merwe PP	237 733	104 409	-	342 142
Mokoena KJ	234 659	104 409	-	339 068
Ferendale RS	237 733	104 409	-	342 142
Rapuleng MD	237 733	104 409	-	342 142
Sothoane TP	234 659	104 409	-	339 068
Serfontein C	237 733	104 409	-	342 142
Sotshiva L	327 219	93 252	21 442	441 913
Toyi MS	322 560	104 409	-	426 969
Moloi MP	234 659	104 409	-	339 068
Segoba SJ	232 322	104 409	-	336 731
	10 962 760	**5 592 308**	**123 590**	**16 678 658**

29. Remuneration of councillors (continued)

Councillors 30 June 2022	Annual Remuneration	Allowances	Company contributions	Total
De Beer VE	404 795	246 391	4 802	655 988
De Jager SHF	146 564	62 130	-	208 694
De Jager AJ	146 564	62 130	-	208 694
Ferendale RS	226 550	100 720	-	327 270
Fieland H	79 986	38 590	-	118 576
Gobidolo SM	79 986	38 590	-	118 576
Jantjie AA	146 564	62 130	-	208 694
Kgantse R	79 986	38 590	-	118 576
Khumalo KJ	252 422	182 324	-	434 746
Kok S	146 564	62 130	-	208 694
La Cock PJ	79 986	38 590	-	118 576
La Cock SM	146 564	62 130	-	208 694
Magashule IM	226 550	100 720	-	327 270
Matroos AH	79 986	38 590	-	118 576
Matthysen Engelbrecht ME	146 564	62 130	-	208 694
Masooane D	252 422	182 324	-	434 746
Mbele MA	185 077	73 904	-	258 981
Mehlo LR	79 986	38 590	-	118 576
Meyer JA	146 564	62 130	-	208 694
Miyen MC	79 986	38 590	-	118 576
Mmusi MG	185 077	73 904	-	258 981
Mochela MJ	222 639	78 260	21 622	322 521
Mofokeng MD	332 408	220 914	-	553 322
Mofokeng MM	185 077	73 904	-	258 981
Mofokeng ML	185 077	73 904	-	258 981
Mokoena BT	146 564	62 130	-	208 694
Mokoena KJ	146 564	62 130	-	208 694
Molaphene PM	132 153	56 341	-	188 494
Mopedi NP	544 066	173 421	-	717 487
Moroenyane MJ	146 564	62 130	-	208 694
Moloi NS	252 422	182 324	-	434 746
Moloi MP	146 564	62 130	-	208 694
Mosepedi MTJ	252 422	182 324	-	434 746
Moseme SL	146 564	62 130	-	208 694
Motaung MP	146 564	62 130	-	208 694
Mvulane L	76 574	37 826	4 176	118 576
Ndayi PR	185 077	73 904	-	258 981
Nteo S	226 550	100 720	-	327 270
Nthoesane SE	146 564	62 130	-	208 694
Rapuleng MD	226 550	100 720	-	327 270
Rantsaile MM	146 564	62 130	-	208 694
Schoonwinkel A	225 636	95 703	8 690	330 029
Sehume NA	226 550	100 720	-	327 270
Sefako ME	252 422	182 324	-	434 746
Segoba SJ	79 986	39 270	-	119 256
Serathi M	185 077	73 904	-	258 981
Serfontein C	226 550	100 720	-	327 270
Serati MJ	252 422	182 324	-	434 746
Sotshiva LP	384 793	136 034	-	520 827
Sothoane TP	146 564	62 130	-	208 694
Taje M	79 986	38 590	-	118 576
Tete CF	159 972	75 980	-	235 952
Thene BS	79 986	38 590	-	118 576
Tlhobelo P	79 986	38 590	-	118 576
Toyi MS	299 909	103 152	-	403 061
Tyumbu MJ	146 564	62 130	-	208 694

Notes to the Annual Financial Statements

Figures in Rand			2023	2022

29. Remuneration of councillors (continued)

Van der Merwe PP	226 550	100 720	-	327 270
Vermaak SM	79 072	33 573	5 456	118 101
Vrey AP	79 986	38 590	-	118 576
	10 524 281	**5 019 973**	**44 746**	**15 589 000**

30. Depreciation and amortisation

	2023	2022
Property, plant and equipment	50 420 130	49 599 056

31. Impairment of assets

Impairments

	2023	2022
Property, plant and equipment	22 006 481	18 854 340

An 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.

Infrastructure assets - GRAP 26.(23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.

Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:
(a) legal ownership; and/or
(b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owner's name, the land was impaired.

Method
Carrying value – Value in Use = Impairment Loss

Significant assumptions applied
Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.

Refer to note 43 for prior period corrections made to impairment of assets.

32. Finance costs

	2023	2022
Trade and other payables	67 145 794	29 716 923
Provision (Landfill site)	6 974 011	3 931 842
Employee benefits	4 182 898	3 061 758
	78 302 703	**36 710 523**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Debt impairment

Contributions to debt impairment provision	202 115 782	165 818 689

Reconciliation of allowance for impairment		
Balance at the beginning of the year	(819 181 372)	(715 497 330)
Debt impairment written off against the allowance	93 315 401	70 005 997
VAT provision on impairment	(6 355 687)	(7 871 350)
Contribution to allowance	(202 115 782)	(165 818 689)
	(934 337 440)	**(819 181 372)**

34. Bulk purchases

Electricity - Eskom	247 198 403	270 541 098
Water	38 931 652	37 467 932
	286 130 055	**308 009 030**

Electricity losses

Units purchased	(213 677 105)	(257 772 183)
Units sold	130 121 603	114 358 216
Total loss	**(83 555 502)**	**(143 413 967)**

Percentage Loss:		
Technical losses	(39)%	(56)%

Water losses

Units purchased	(5 110 274)	(5 367 240)
Units sold	4 754 961	5 784 034
Total	**(355 313)**	**416 794**

Percentage Loss:		
Technical losses	(7)%	8 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Contracted services

Presented previously		
Commission paid	5 413 966	9 706 199
Specialist Services	1 442 950	-
Outsourced Services		
Administrative and Support Staff	104 038	9 315 691
Meter Management	3 025 802	7 990 446
Consultants and Professional Services		
Legal Cost	2 495 710	6 437 363
Contractors		
Other Contractors	10 679 395	13 255 322
Safeguard and Security	10 144 367	6 751 616
	33 306 228	**53 456 637**

36. General expenses

Accommodation cost	1 372 437	635 228
Advertising	670 206	828 862
Auditors remuneration	8 110 441	7 429 318
Bank charges	648 399	841 320
Cleaning	460 109	386 462
Consumables	7 171 167	19 672 476
Donations	178 043	150 000
Entertainment	547 147	178 818
Hire	53 850 595	58 318 147
Insurance	1 467 911	2 157 859
Fuel and oil	4 485 035	2 443 761
Postage and courier	1 282 886	1 277 015
Printing and stationery	1 181 132	1 102 414
Protective clothing	493 516	430 245
Financial systems (BCX)	2 115 026	2 689 464
Subscriptions and membership fees	2 562 840	2 967 328
Telephone and fax	6 225 843	6 830 438
Transport and freight	114 059	121 620
Training	1 164 439	892 015
Travel - local	1 538 600	884 924
Chemicals	13 680 336	10 118 163
Employee wellness	30 790	4 275
Youth development	495 388	341 525
Licenses	849 435	890 534
Other expenses	4 797 847	3 933 390
	115 493 627	**125 525 601**

37. Repairs and maintenance

Repairs and maintenance	13 531 471	10 057 078

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Fair value adjustments

	2023	2022
Investment property	3 223 485	5 895 421
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	13 437	(26 727)
• Other financial assets (At amortised cost)	38 632	27 012
	3 275 554	**5 895 706**

39. Cash generated from operations

	2023	2022
Deficit	(225 757 094)	(138 858 919)
Adjustments for:		
Depreciation and amortisation	50 420 130	49 599 056
(Gain)/loss on disposal of assets	429 455	780 098
VAT	(44 973 948)	-
Audit fees paid by Treasury	(1 563 000)	-
Fair value adjustments	(3 275 554)	(5 895 706)
Finance costs - Trade and other payables	66 902 634	29 716 923
Interest received - Receivables	(64 328 452)	(43 155 478)
Impairment of assets	22 006 481	18 854 340
Debt impairment	202 115 782	165 818 689
Employee benefit obligations - Current service cost	1 340 040	1 335 304
Movements in provisions	6 974 011	3 931 842
Actuarial gains / losses	(4 303 863)	2 724 074
Employee benefit obligations - Finance cost	4 182 898	3 061 758
Inventory surplus	(115 032)	-
Interest recovered from SARS	-	(7 683 923)
Donations received	-	(3 171 561)
Changes in working capital:		
Inventories	37 845	2 253 606
Receivables from exchange transactions	(119 273 289)	(109 809 454)
Receivables from non-exchange transactions	(39 602 986)	(30 108 921)
Other receivables	617 669	(2 003 343)
Payables from exchange transactions	220 084 630	128 435 613
VAT	6 201 812	(36 190 828)
Unspent conditional grants and receipts	7 319 925	23 044 531
Consumer deposits	1 680	(29 014)
	85 441 774	**52 648 687**

40. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	1 544 666	1 544 666
Receivables from non-exchange transactions	-	28 755 118	28 755 118
Receivables from exchange transactions	-	140 360 057	140 360 057
Other financial assets	143 075	598 008	741 083
Cash and cash equivalents	-	45 971 786	45 971 786
	143 075	**217 229 635**	**217 372 710**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 308 933 119	2 308 933 119
Consumer deposits	4 885 833	4 885 833
	2 313 818 952	**2 313 818 952**

2022

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	2 162 335	2 162 335
Receivables from non-exchange transactions	-	25 993 222	25 993 222
Receivables from exchange transactions	-	122 033 008	122 033 008
Other financial assets	129 638	559 376	689 014
Cash and cash equivalents	-	5 199 242	5 199 242
	129 638	**155 947 183**	**156 076 821**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 011 846 996	2 011 846 996
Consumer deposits	4 884 153	4 884 153
	2 016 731 149	**2 016 731 149**

41. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	41 615 550	70 977 294
Total capital commitments		
Already contracted for but not provided for	41 615 550	70 977 294

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	41 615 550	70 977 294

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, funds internally generated and grants received.

Notes to the Annual Financial Statements

42. Contingencies

Contingent liabilities

The following cases were against the municipality in the 2023 financial year as confirmed by the Attorneys. The nature and amount of the different litigations are as follows:

J.H Joost - Applicant seeks a *rule nisi* order for the Municipality to restore the electricity supply at his home and to prohibit the Municipality from disconnecting until an alleged dispute regarding the arrears on his account has been resolved. Estimate of financial implication amounts to R250 000.

Afriforum NPC - Afriforum seeks orders *inter alia* to compel the Municipality to restore electricity and water supply in the town of Parys. Failing which they seek an order to procure equipment to restore electricity in the town and water trucks at the Municipality's expense. Judgement was delivered on 19 October 2022 and the court ordered that the application be dismissed and the applicant ordered to pay the first to fourth respondents costs of the application, which are to include the reserved costs of 13 July 2022.

JWC Booysen - Plaintiff seeks to claim damages from the Municipality for bodily injuries suffered as a result of the Municipality's purported/alleged failure to ensure that the roads under the Municipality's jurisdiction are properly inspected and maintained. Pleadings have closed and matter is trial ready. Estimate of financial implications amounts to R3 800 000

P.F Viviers - Applicant seeks a *rule nisi* order for the Municipality to restore the electricity supply at his home and to prohibit the Municipality from disconnecting until an alleged dispute regarding the arrears on his account has been resolved. The parties agreed to settle the matter out of court. Estimate of financial implications is unknown.

Afriforum NPC - Afriforum seeks order *Inter alia* to compel the Municipality to comply with their constitutional and statutory duties of ensuring safe portable water is provided to the Municipality's residents. The matter was removed from the roll for want of urgency and the applicant was ordered to pay the wasted costs occasioned by the removal. The respondent was served with the applicant's notice for leave to appeal against a portion of the judgment insofar as it relates to costs. The matter is set for hearing of the appeal for the costs on the 13th of October 2023. Estimate of financial implications is unknown

Blackbird Trading 230 CC T/A BB Technologies - The applicant is an independent service provider providing an array of information services to the Municipality. A service delivery agreement was entered into by the parties. The applicant is seeking that the Municipality settle the outstanding fees owed for services delivered. The Municipality agreed to pay the applicants taxed and agreed costs of main action including counsel fees on a scale between attorney and client. The Municipality agreed to pay the respondent including interest thereon calculated from 15th September 2022 until 27th July 2023. Estimate of financial implications amounts to R429 737.99.

Molowa Elias Letsaba - Elias Letsaba was an employee of the Municipality appointed as an electrical assistant. On the 25th of June 2017, when attending to repairing a damaged substation at Monument Park, the power to the substation was restored which resulted in him sustaining high voltage electrical burns to his head, face, ears, neck and arms. An investigation was done by the Compensation Fund in terms of the Compensation for Occupational Injuries and Diseases Act of 1933. The Compensation Commissioner found that the applicant suffered no anatomical defect/functional impairment as a result of the accident. No compensation in respect of permanent disablement is therefore payable to the applicant and the claim is finalised. The Compensation Fund decision if final is that no compensation will be made to the applicant. The granting of the default judgement by the court was incorrect, as a result a recession application has been prepared by the Municipality and the date of the hearing will be confirmed in due course. Estimate of financial implication is unknown.

Anna Tshepe - Civil litigation pending in court. Estimate of financial implications amounts to R1 400 000.

Antonio Pereira - Civil litigation finalised and successfully defended in court. There are therefore no estimated financial implications.

The following suppliers each have a difference between the Municipality's records and the suppliers statements. These differences relate to disputed invoices by the Municipality and therefore will be disclosed as Contingent Liabilities:

AK Lepaso Waste Management - Disputed amount of R688 800
Bakubung Trading Enterprises CC - Disputed amount of R1 599 999,65
Bryn Construction CC - Disputed amount of R968 761,74
Ekene Investments CC - Disputed amount of R126 720

Figures in Rand	2023	2022

42. Contingencies (continued)
Fabritec Engineering and Suppliers - Disputed amount of R317 753.26
Maksp CC T/A Vuyo Supplies - Disputed amount of R248 573,02
Patsam General Dealer - Disputed amount of R81 320
Pioneer Security & Academy - Disputed amount of R2 007 610.62
Proxy Investments (Pty) Ltd - R449 650
Rebohlokoa Construction (Pty) Ltd - Disputed amount of R1 583 109.50
Tlale TB - Disputed amount of R17 550
Wilson @ Sons Trucking - Disputed amount of R1 732 995.80
Wiltess Funeral Services - Disputed amount of R11 618.05
Haqlog Projects - Disputed amount of R121 840
K Trading Enterprise (Pty) Ltd - Disputed amount of R192 000
Lesedi La Lefatshe Business Enterprise - Disputed amount of R9 085
Nyareli Construction (Pty) Ltd - Disputed amount of R82 505
Kunene Makopo - Disputed amount of R3 500

Nature of litigation	Possible rand value of claim 2023	Possible rand value of claim 2022	Number of cases 2023	Number of cases 2022
Civil Litigation	5 879 738	2 798 894	9	6
Disputes	10 243 392	-	18	-
	16 123 130	**2 798 894**	**27**	**6**

43. Prior-year adjustments

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

VAT receivable
VAT receivable was restated due to the accrual of payments that relate to the 2022, 2021, and 2020 financial years that were made in the 2023 financial year and therefore the VAT on these payments were accounted for.

Contracted services
Contracted services was restated as a result of payments relating to contracted services that were made in the 2023 financial year. These payments were made in the 2023 financial year, however these payments relate to the 2022, 2021 and 2020 financial years.

General expenses
General expenses was restated as a result of payments relating to general expenses that were made in the 2023 financial year. These payments were made in the 2023 financial year, however these payments relate to the 2022, 2021, and 2020 financial years.

Repairs and maintenance
Repairs and maintenance was restated as a result of payments relating to repairs and maintenance that were made in the 2023 financial year. These payments were made in the 2023 financial year, however these payments relate to the 2022, 2021, and 2020 financial years.

Bulk purchases
Bulk purchases was restated to correct an input VAT discrepancy on water purchases for 2022 that was identified in the 2023 financial year.

Finance cost
Finance cost was restated to account for interest on Telkom that was not accounted for in the 2022 financial year.

Other income:
Other income was restated as a result of duplicate receipts that were allocated to sundry income.

Payables from exchange transactions:

Trade payables
Payables were restated due to payments that relate to the 2022, 2021, and 2020 financial years that were made in the 2023 financial year, however were not accrued for in the previous financial years.

Cash and cash equivalents
Cash and cash equivalents was restated as a result of duplicate receipts that were allocated to sundry income.

Asset reclassification
To rectify prior year findings and ensure accurate asset disclosure, a comprehensive reclassification effort took place on the full population of assets. This meticulous process involved examining each asset's intended use and nature throughout the Fixed Asset Register. Utilizing SQL, assets with similar characteristics were grouped, enhancing precision in categorization and rectifying inconsistencies from prior years.

Cost Method applied to Land:
Addressing the issue of land costs, a retrospective strategy employed the clean 2016 audited land register as reference. Discrepancies relating to completeness and erven size calculations in the 2016 register were mitigated by consistently applying land costs to assets sharing similar characteristics. This approach aligned with updated information from the Surveyor General, official deeds, and the current valuation roll. ArcGIS Software further bolstered land register accuracy through precise calculations, classification, and completeness. Changes and classification within the land register were executed by a professional, registered valuator, ensuring compliance with standards

Fair Value Adjustment on Investment Property:
Identifying a prior year valuation error for investment properties, corrective actions involved a comprehensive revaluation of properties from the previous year's report. Additional tests validated property classification and ownership details for the current

43. Prior-year adjustments (continued)

investment portfolio. Correcting the prior year's impairment error, a fair value adjustment was applied in the current year's financial statements. Meticulously executed, the adjustment adhered to professional valuator expertise, guaranteeing accurate representation of investment property values.

Property, Plant and Equipment:

The ongoing WIP project at Koppies Water Treatment plant underwent re-evaluation due to a segment of the project remaining incomplete and unused. Active assets remained within the Fixed Asset Registers, while incomplete elements were reverted to the Work In Progress Register.

Furthermore, all post-year-end transactions were accurately allocated to the appropriate reporting period.

Inventories:

All water meters were transferred to inventory and excluded from the Fixed Asset Register as per the asset management policy.

Provision on Current:

Addressing the 2021 financial year's provision on landfill sites, an error in applying the correct Consumer Price Index (CPI) was rectified. Accurate CPI values were incorporated to ensure precise provision calculations.

Impairment:

A significant adjustment pertains to impairment assessments. Partial impairments were reversed, and going forward, impairment recognition will exclusively apply when an asset is unable to fulfil its intended purpose effectively.

Donations Received:

Third-party donations to Ngwathe Local Municipality that meet the qualifying criteria for asset recognition were duly incorporated into the fixed asset register, aligning with established accounting norms.

Depreciation:

Incorporating the updated asset categories, a comprehensive assessment was conducted to revise the Estimated Useful Lives (EUL) assigned to each asset and class. These adjustments, coupled with the aforementioned changes, necessitated a recalculation of depreciation for each individual asset.

43. Prior-year adjustments (continued)

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	4	1 358 407 741	286 584 605	1 644 992 347
Inventories	7	10 254 974	(7 113 698)	3 141 276
VAT	10	288 368 646	743 646	289 112 292
Cash and cash equivalents	11	5 204 574	(5 332)	5 199 242
Payables from exchange transactions	12	(2 004 651 537)	(7 195 459)	(2 011 846 996)
Provisions (Current)	16	(3 931 842)	3 931 842	-
Provisions (Non-current)	16	(95 861 118)	(3 931 842)	(99 792 960)
Investment Property	3	238 299 893	(68 642 784)	169 657 108
		(203 908 669)	**204 370 978**	**462 309**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Interest received from exchange transactions	22	(44 562 852)	10 390 907	(34 171 945)
Interest received from non-exchange transactions	23	-	(10 390 907)	(10 390 907)
Other income	20	(2 042 813)	5 332	(2 037 482)
Finance cost	32	36 708 986	1 537	36 710 523
Bulk Purchases	34	310 630 618	(2 621 588)	308 009 030
Contracted services	35	52 521 718	934 919	53 456 637
Impairment	31	74 195 692	(55 341 352)	18 854 340
General expenditure	36	119 374 528	6 151 073	125 525 601
Repairs and maintenance	37	10 300 551	(243 473)	10 057 078
Donations received	25	-	(3 171 561)	(3 171 561)
Depreciation and amortisation	30	72 974 057	(23 375 001)	49 599 056
Fair value adjustments	38	(9 765 516)	3 869 810	(5 895 706)
Profit and loss on disposal of assets	4	266 147	780 098	1 046 245
Surplus for the year		**620 601 116**	**(73 010 206)**	**547 590 909**

Additionally, the following opening balances have been adjusted:

Irregular expenditure

	2023	2022
Opening balance	-	301 633 744
Adjustments made	-	46 598
Restated opening balance	**-**	**301 680 342**

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure of R 46 598 in the 30 June 2022 financial statements. Employee RT Matlaletsa (employee number 040492) was on suspension with charges of fraud and corruption. He was then convicted on Wednesday, 23 March 2023. His prior salary incurred after being convicted till the end of the financial year ended 30 June 2022 was therefore disclosed. He was subsequently removed from the municipal system.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Prior-year adjustments (continued)

Commitments

Opening balance	-	99 997 401
Adjustments made	-	(29 020 107)
Restated opening balance	**-**	**70 977 294**

Adjustment made to opening balance of commitments is due to the correction of retentions in the prior period as well as accounting for transactions that were identified in the current year. Opening balance was also adjusted as a result of a change in the calculation of commitments in accordance with the recommendation received from the Auditor General of South Africa.

44. Related parties

Relationships	
Members of key management	Refer to note 28
Members of council	Refer to note 29

45. Comparative figures

Comparative figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note 43

46. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	2023	2022
Other financial assets	741 083	689 014
Cash and cash equivalents	45 971 786	5 199 242
Consumer deposits	4 885 833	4 884 153

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

47. 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.

In the preperation of the going concern assessment certain risk factors relating to events and conditions have been identiifed which may cast significant doubt upon the entity’s ability to continue as a going concern

Notwithstanding the significant risk to the Municipality's ability to continue as a going concern, the Municipality is however unlikely to cease and/or discontinue its service delivery operations since it is established in terms of Chapter 7 of the Constitution and is protected in terms of it's mandate and the services that it renders. Section 139 of the MFMA could possibly also be applied should the factual insolvency continue.

Financial considerations:

Financial ratio analaysis has been performed in order to assess the profitability, liquidity and efficiency of the Municipality.

The following ratio's have been calculated and have been identified as being unfavourable:
Current ratio: 0.23
Cash flow coverage ratio: 0.03
Quick ratio: 0.23
Debt ratio: 1.08
Net working capital ratio: -0.79
Cash ratio: 0.02

These ratios are indicative of the Municipality's inability to meet short-term obligations, unfavourable liquidity position and to pay suppliers

We draw attention to the fact that at 30 June 2023, the municipality had accumulated deficits of R (191 833 748) and that the municipality's total liabilities exceeds its assets by R (191 833 748).

47. Going concern (continued)

The annual financial statements indicates that the municipality incurred a net loss of R225 757 094 during the year ended 30 June 2023 and, as of that date, the municipality’s current liabilities exceeded its current assets by R1 848 823 783.
This is the second consecutive year that the Municipality has experienced a net loss.

The Municipality incurred electricity losses of 39% as dislosed in note 34.

The imapirment on the assets has increased by R3 152 141. This could be indicative of a decrease in the ability of the Municipality's assets in generating revenue and/or cash flows.

In addition, the municipality owed Eskom R1 783 332 354 (2022: R1 501 864 136) and the Department of Water and Sanitation R166 190 035 (2022: R150 792 523) as at 30 June 2023, which was long overdue.

Revenue generating activities:

The Municipality has experienced challenges in its revenue generating activities.

The Municipality's total revenue for the year has decreased by R57 410 555.

The Municipality's revenue from service charges has decreased by R35 908 952 and its revenue from property rates has decreased by R7 472 430.

The Municipality's debt impairment has increased by R36 297 093 and an upward trend currently exists.

The Municipality is currently funding the difference between the approved tariff by NERSA and what the Municipality is being charged by Eskom continues to strain the Municipality's cash flow. As a consequence, the Municipality is currently unable to recover the cost of providing services which therefore indicates that all those services were provided at a loss.

The Municipality also has a low collection rate ranging from 51% - 53% in 2021 to a low of 40% in 2018.

The Municipality lacks a credible and fully cash-backed budget.

The Municipality's debtors have been impaired by 85% and the Municipality has a significant amount of indigent debtors

The municipality has also collected less than what was budgeted for the year. R145 823 899 less service charges was collected than that was budgeted for and R22 402 467 less property rates was collected than that was budgeted for.

All of the above is indicative of the Municipality's challenges in generating revenue and its low revenue collection.

Cash management and financing:

The Municipality currently has positive cash and cash equivalents of R45 971 786.

Of this amount, R45 004 288 relates to the Municipality's ring-fenced grant funds whilst R967 498 relates to the Municipality's primary account which is used for day-to-day operations.

Taking into account the cash available for day-to-day operations of R967 498, a condition could exist that the Municipality may not have cash readily available for its day-to-day operations.

Operating:

During the financial year the municipality has had 4 different persons in the role of Municipal Manager and 4 different persons in the role of Chief Financial Officer. I draw your attention to the general information for the persons who acted in these roles and for the duration.

Furthermore, after 30 June 2023, another change in the Municipal Manager role has occurred. The Municipality does not at this stage have a permanent appointment for Municipal Manager nor for Chief Financial Officer.

The directors roles during the year has also not been consistent with various persons acting in directors roles and many

Notes to the Annual Financial Statements

47. Going concern (continued)
permanent director positions not currently filled.

All of the loss of key management could contribute to the Municipality's organizational instability and the Municipality's possible challenges at appointing permanent positions in key roles.

Other:

The low repairs and maintenance as a % of operating expenditure also negatively impacts on the quality of service delivery which consequently contributed to service breakdowns.

Mitigating factors to the identified events and conditions:

The Municipality has various factors in place to mitigate the above risk factors:

A turnaround strategy was developed and approved by Council in October 2022 and the action plans relating to the turnaround strategy were reviewed during the 2023/24 financial year.

The purpose of the turnaround strategy is to assess the financial status of the Municipality and develop action plans to address challenges that were identified during the assessment.
Council took a resolution that FinCom should have meetings bi-weekly in order to monitor the implementation of action plans in relation to the tunraround strategy.

The Municipality has established a team that consists of officials in the technical department (electrical) and EPWP responsible for cut-offs. There is also another team that consists of officials in the revenue unit and EPWP that is responsible for the registration of indigents.
The purpose of establishing these teams is to increase revenue collection and to increase the number of households registered as indigents. The increase in the latter will increase the amount of Equitable Share allocated to the Municipality.

The plan lists out various strategies that have been developed in order to improve the financial position of the Municipality.
The main contributing factor to unfavourable financial ratios is the huge debt owed to Eskom at the end of the financial year.

The Municipality has submitted a debt relief application to National Treasury on 30 September 2023 as per MFMA Circular 124.
Council made a commitment on 5 October 2023 to monitor and ensure that all conditions set out in circular 124 are adhered to.
Council made a commitment to monitor the implementation of the action plans that relate to debt relief application.

The Municipality's Financial Recovery Plan has set out an expenditure and cost containment strategy in order to increase the availability of financial resources and this will help in reducing the actual and accumulated deficit incurred.
The Municipality's Financial Recovery Plan also sets out a revenue management strategy which sets out the need to ensure sustainability and harness the availability of cash to fulfil its constitutional mandate and to ensure that the Integrated Development Plan is properly aligned to the budget.

Future funding:
In terms of the Division of Revenue Act (Act 3 of 2017), the entity has been allocated the following equitable share grant over the next 3 years.
2022/23 - R241 451 000
2023/24 - R258 780 000
2024/25 - R277 488 000

It is therefore evident that the entity will continue to receive funding from the government on which the Municipality will rely on and this represents continual funds to the Municipality for the foreseeable future.
It should be noted that the equitable share allocations as per the Division of Revenue Act (Act 3 of 2017) is not sufficient to cover the Municipality's operational expenditure and that the shortfall will have to be recovered through the normal revenue processes of the Municipality.

The Municipality will also continue to have the power to levy rates and taxes for the foreseeable future.

The Municipality furthermore, has no plans to discontinue operations and is protected by the Constitution

Figures in Rand	2023	2022

47. Going concern (continued)

Conclusion:

Although various risk factors regarding the Municipality's going concern have been identified, the going concern principles as per GRAP 1 are still applicable for the preparation of the Annual Financial Statements given the protection afforded to the Municipality in terms of the Constitution. We are therefore satisfied that the Municipality is indeed a going concern and that the going concern basis of accounting is appropriate for the preperation of the Annual Finanical Statements.

48. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	350 557 400	99 115 148
Add: Unauthorised expenditure - current	250 963 048	180 719 619
Add: Unspent grants (Non-cash backed)	43 046 488	70 722 633
Less: Condone and/or write off by council	(99 115 148)	-
Closing balance	**545 451 788**	**350 557 400**

The Municipal Public Account Committee recommended to the council of Ngwathe Local Municipality to condone and/or write off the unauthorised expenditure in line with paragraph 32.2(b) of the MFMA on the 28th of July 2022.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Fruitless and wasteful expenditure

Opening balance as previously reported	86 876 166	31 968 218
Less: Condone and/or write off by council	(23 765 682)	-
Less: Written off (current year) - SARS	-	(6 479 211)
Less: Written off (current year) - AGSA	-	(280 052)
Less: Written off (current year) - SARS VAT201	-	(924 660)
Auditor General of South Africa (AGSA)	248 670	66 212
Eskom	51 888 409	20 322 559
Eskom NMD	13 947	13 436
Rand Water	3 164 721	675 257
OFS pension fund	-	9 082
Department of Water and Sanitation	7 410 350	7 203 625
SALA pension fund	28 516	74 220
MWRF	-	25 825
SARS - EMP (Interest and penalties)	3 071 182	830 221
SARS - VAT (Interest and penalties)	1 222 980	313 813
Telkom SA Ltd	61 339	53 965
Telkom SOC Ltd - 14631	943	1 536
NFMW	22 721	67 983
S Gouws Sheriff	492	-
Councillors pension fund	-	261
Free State providend fund	1 000	29 236
Bank transactions	2 498	-
Skillz-SA	21 440	-
VAT01	323	-
RSK Consulting Engineers	-	3 858 389
Mathanda Civil Engineering	-	40 175
Mofomo Construction	-	514 309
Project: Vredefort refurbishment of water works	-	3 349 043
Project: Refurbishment of old Parys water treatment works	-	8 159 134
Project: Heilbron wastewater treatment works	-	16 983 590
Project: Construction of Koppies to Edenville bulk water supply pipeline	3 047 242	-
Project: Heilbron Sandersville low level bridge	7 850 556	-
Project: Sandersville Heilbron pedestrian bridge	391 151	-
Closing balance	**141 558 964**	**86 876 166**

The Municipal Public Account Committee recommended to the Council of Ngwathe Local Municipality to condone and/or write off fruitless and wasteful expenditure in line with paragraph 32,2(b) of the MFMA on the 28th of July 2022.

50. Irregular expenditure

Opening balance as previously reported	301 680 342	269 954 974
Add: Irregular expenditure	19 022 663	-
Add: Irregular expenditure identified during the audit	11 936 632	31 678 770
Add: Prior period error - Mr T R Matlaletsa	-	46 598
Closing balance	**332 639 637**	**301 680 342**

Figures in Rand	2023	2022

50. Irregular expenditure (continued)

Categories of irregular expenditure

Irregular expenditure can be categorised as follows:	
Accommodation	1 143 923
Advertisement	589 944
Chemicals	1 766 916
Finance	6 729 457
Fuel	1 077 160
Hire	3 121 152
IT support	405 783
Legal fees	32 924
Other - bursary	416 048
Other - printing	5 745
Other - refund	33 138
Other valuation	176 000
Repairs and maintenance	2 417 376
Security	1 071 099
Training	35 998
	19 022 663

The irregular expenditure included in the note above is exclusive of Value Added Tax.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 958 164	2 651 982
Current year subscription / fee	2 853 280	2 891 615
Amount paid - previous years	(2 868 410)	(2 585 433)
	2 943 034	**2 958 164**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Audit fees

Opening balance	1 661 539	4 536 417
Current year subscription / fee	9 034 311	8 554 947
Interest charges	248 670	143 193
Amount paid by National Treasury	(1 563 000)	-
Amount paid - current year	(6 362 022)	(8 005 059)
Amount paid - previous years	(917 984)	(3 567 959)
	2 101 514	**1 661 539**

PAYE , SDL and UIF

Opening balance	8 219 842	31 649 759
Current year subscription / fee	42 593 472	41 804 246
Interest	82 711	42 094
penalties	2 988 471	788 127
Amount paid - previous year	(3 487 866)	(20 189 741)
Amount paid - current year	(45 514 457)	(17 612 889)
Condone and/or write off by Council: Item 20 (20/12/2020)	-	(22 337 368)
Interest and penalties written off by SARS	-	(5 924 386)
	4 882 173	**8 219 842**

Pension and Medical Aid Deductions

Opening balance	3 036 000	8 450 240
Current year subscription / fee	65 654 757	63 797 096
Interest and penalties	52 237	218 268
Overpayment to Hosmed November 2021	-	600 000
Amount paid - previous year	(3 036 000)	(8 450 240)
Amount paid - current year	(60 238 885)	(61 579 364)
	5 468 109	**3 036 000**

VAT

VAT receivable	327 884 428	289 112 292

VAT output payables and VAT input receivables are shown in note 10.

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

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
Mosepedi MTJ	1 042	-	1 042
Mofokeng MD	1 310	451	1 761
Serathi MJ	1 673	14 846	16 519
Khumalo KJ	2 394	3 880	6 274
Masooane D	2 434	9 984	12 418
La Cock SM	2 275	-	2 275
Jantjie AA	3 292	78 939	82 231
Matthysen Engelbrecht ME	4 009	17 868	21 877
Kok S	3 433	-	3 433
Nteo S	1 139	3 903	5 042
Moseme SL	1 738	27 292	29 030
Rapuleng MD	1 558	22 264	23 822
Sothoane TP	1 097	4 857	5 954
Tyumbu MJ	1 359	8 624	9 983
Rantsaile MM	297	-	297
Mokoena BT	2 104	39 374	41 478
MP Motaung	509	-	509
KJ Mokoena	1 394	5 091	6 485
De Jager AJ	10 111	289 445	299 556
	43 168	**526 818**	**569 986**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
De Beer VE	720	-	720
Mosepedi MTJ	1 142	-	1 142
Mofokeng MD	776	-	776
Serati MJ	5 814	-	5 814
Khumalo KJ	2 883	38 662	41 545
Masooane D	1 847	1 748	3 595
Schoonwinkel A	2 723	-	2 723
Sehume A	1 534	-	1 534
Magashule IM	1 230	-	1 230
Moroenyane MJ	1 533	1 135	2 668
La Cock SM	5 056	-	5 056
Jantjie AA	3 527	66 430	69 957
Matthysen Engelbrecht ME	4 795	1 813	6 608
Kok S	1 926	-	1 926
Nteo S	1 337	431	1 768
Moseme SL	4 242	44 625	48 867
Rapuleng MD	1 692	16 259	17 951
Sothoane TP	1 244	1 026	2 270
Sotshiva L	1 958	-	1 958
Toyi MS	719	-	719
Tyumbu MJ	1 651	9 857	11 508
Rantsaile MM	2 266	18 391	20 657
Mokoena BT	2 837	34 160	36 997
Meyer JA	470	-	470

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

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

Motaung MP	2 002	759	2 761
	55 924	**235 296**	**291 220**

52. 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.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2023	4 246	19 532 597	-	911 513	20 448 356

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2022	-	10 191 830	-	530 679	10 722 509

53. Budget differences

Material differences between budget and actual amounts

Management considers any variance above 10% to be significant.

53.01 - The Municipality collected less than what was budgeted for, this might be due to changes in the systems that started in the 2020 financial year.

53.02 -The Municipality collected less on the rental of facilities in the 2023 financial year as the municipality is unable to collect rent on some of municipal properties due to unemployment and hostel dwellers.

53.03 - More interest was earned during the 2023 financial year. This is due to the increase in the closing balances of the call accounts at year end, thereby increasing the interest earned. This will be as a result of fluctuations in the interest earned as and when the funds are utilised for the respective grants. The Municipality anticipated to accumulate less interest based on the utilisation of the call accounts.

53.04 - The Municipality anticipated to collect less on other income due to the fact that there are no revenue enhancement strategies in the 2023 financial year. The proceeds on sale auction was also not taken into account.

53.05 - The interest received on outstanding receivables is greater than the budget due to the current economic climate and the increase in outstanding debt due to the Municipality. The Municipality budgeted less based on the expectation that more debtors would settle outstanding debt and therefore less interest charged.

53.06 - The Municipality does not budget for these line items.

53.07 - The Municipality budgeted more for property rates for the 2023 financial year. This could be due to a change in the valuation of the properties that was not anticipated.

53.08 - The Municipality anticipated to receive more funds from grants for the 2023 financial year. Less expenditure with conditions met was transferred to revenue during the 2023 financial year.

53.09 - The Municipality budgeted more on fines and penalties based on the growing number of debtors with illegal connections.

53.10 - The variance is less than 10%, therefore it is immaterial.

53. Budget differences (continued)

53.11 - The variance is due to the unspent grant as disclosed in the payables section.

53.12 - The Municipality budgeted less on finance cost without taking into account the payables book value of R1 billion inclusive of Eskom and DWS.

53.13 - The Municipality budgeted less without taking into account that there is no credit control and collection strategies in place or arrangements for long outstanding receivables as at 30 June 2023 and that the community has a high number of indigents applications.

53.14 - The Municipality anticipated more bulk purchases for the 2023 financial year, taking into account the demand for water and electricity.

53.15 - The Municipality budgeted more on repairs and maintenance. The Municipality spent less on repairs and maintenance with the intention of keeping the expenditure under control and with the goal of cost saving.

53.16 - The Municipality budgeted less on general expenses with the intention of keeping the expenditure under control, spending less on its day to day operations, and with the goal of cost saving.

53.17 - The Municipality budgeted more for inventories with the expectation that more inventories would be purchased and utilised. Less inventory was purchased as at year end than had been expected. Water inventory was also taken into consideration in the budgeting of inventory.

53.18 - The Municipality budgeted for both types of receivables on one line item "receivables from non exchange". The Municipality budgeted less for receivables from non exchange transactions and receivables from exchange transactions without taking into account the current economic conditions, rise in living costs and the possibility of long standing debtors.

53.19 - The Municipality budgeted more for other receivables taking into account the prepaid electricity as well as the prospect of various other accounting receivables.

53.20 - The Municipality budgeted less for cash and cash equivalents without taking into account the interest on the call accounts that would accumulate and fluctuate as and when the funds are utilised.

53.21 - The Municipality budgeted more for investment property taking into account the prospect of fair value adjustments affecting the values of the properties for the financial year. The assumptions and calculations used in the fair value adjustment of the properties affect the variance between budget and actual.

53.22 - The Municipality has budgeted less on landfill site. The intention is to reach a desirable compliance status in the next few financial years

53.23 - The Municipality budgeted more for this item taking into account the suppliers and the large amounts outstanding to suppliers such as Eskom and DWS.

53.24 - The Municipality budgeted more with the expectation that more assets would be purchased during the financial year and also expected to have additional assets completed during the financial year.

53.25 - The Municipality budgeted for the prospective increase/decrease in consumer deposits, however no consumer deposits arising from financing activities were prevalent during the financial year.

53.26 - The Municipality budgeted more for depreciation in the current financial year. The difference arises due to a change in the estimated useful lives.

53.27 - The Municipality budgeted less for contracted services with the intention of cost saving and keeping expenditure under control.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. 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.

Aggregated segments

The municipality operates throughout the Free State Province in 5 towns. Segments were aggregated on the basis of services delivered.

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	Goods and/or services
Community services	Community service
Technical services	Sale of goods and services
Other	Sale of goods and services

54. Segment information (continued)

Segment surplus or deficit

2023

	Other	Technical services	Community services	Total
Revenue				
Electricity	-	208 882 571	195 571	209 078 142
Fines non-exchange transactions	-	41 733	-	41 733
Grants	246 519 524	53 173 512	2 240 000	301 933 036
Interest	3 159 329	41 315 158	27 717 621	72 192 108
Other income	297 413	378 796	2 862 699	3 538 908
Property rates	-	-	96 968 756	96 968 756
Refuse	-	-	40 009 372	40 009 372
Waste water	-	56 397 243	-	56 397 243
Water	-	66 816 193	-	66 816 193
Fair value adjustments, acturial gains and inventory surplus	7 694 449	-	-	7 694 449
Total segment revenue	**257 670 715**	**427 005 206**	**169 994 019**	**854 669 940**
Entity's revenue				**854 669 940**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	Other	Technical services	Community services	Total
Expenditure				
Bulk purchases	-	286 130 055	-	286 130 055
Debt impairment	-	202 115 782	-	202 115 782
Depreciation	798 242	46 845 846	2 776 042	50 420 130
Employee costs	96 789 881	97 550 519	67 672 044	262 012 444
Finance costs	6 974 011	71 328 692	-	78 302 703
Remuneration of councillors	16 678 658	-	-	16 678 658
Impairment loss	22 006 481	-	-	22 006 481
Loss on disposal of assets	429 455	-	-	429 455
Contracted services	27 892 262	5 413 965	-	33 306 227
Repairs and maintenance	1 817 089	10 286 975	1 427 408	13 531 472
General expenses	36 463 250	73 371 263	5 659 114	115 493 627
Total segment expenditure	**209 849 329**	**793 043 097**	**77 534 608**	**1 080 427 034**
Total segmental surplus/(deficit)				**(225 757 094)**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality’s operations are in the Free State Province.

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.