Thulamela Local Municipality 30 June 2023
(Registration number LIM343)
Annual Financial Statements
for the year ended 30 June 2023

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General Information

Legal form of entity	Thulamela Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment
The following is included in the scope of operation	Rates and waste management and general services Local government activities Planning and promotion of the integrated development plan Land, economic and environmental development The mandate of the municipality is in terms of section 152 of the Constitution of South Africa
Executive Committee	
Mayor	Cllr Rambuda AS
Speaker	Cllr Mutheiwana FA
Chief Whip	Cllr Malada TP
Exco	Cllr Kwinda SC
	Cllr Lieba NA
	Cllr Mulovhedzi MK
	Cllr Mashawana NE
	Cllr Mulaudzi KE
	Cllr Kwinda SC
	Cllr Maduse L
	Cllr Shavhani ME
	Cllr Madondo LM
	Cllr Ligaraba LE
	Cllr Ligege VP
Councillors	Cllr Munenyiwa AM
	Cllr Mahosi NG
	Cllr Lavhengwa L
	Cllr Davhana AJ
	Cllr Ravhura ME
	Cllr Mukhathi H
	Cllr Netshikwera R
	Cllr Phosha LF
	Cllr Mulaudzi MM
	Cllr Netsianda MJ
	Cllr Mphaho TS
	Cllr Mulaudzi ER
	Cllr Thanyani RD
	Cllr Vhulahani Livhuwani
	Cllr Dali TS
	Cllr Mabasa HP
	Cllr Mathoma R
	Cllr Badamarema M
	Cllr Radamba NC
	Cllr Pandelani TS
	Cllr Muedi TE
	Cllr Maphiri ME
	Cllr Phalanndwa N

General Information

	Cllr Tshikhuwana LR
	Cllr Mphaphuli M
	Cllr Mulovhedzi HP
	Cllr Matshavha M
	Cllr Nemasiwana F
	Cllr Razwinzhi IE
	Cllr Tshisikule K
	Cllr Khangale AC
	Cllr Ligaraba MJ
	Cllr Makungo TG
	Cllr Mulaudzi NS
	Cllr Phosiwa L
	Cllr Nekhunguni AE
	Cllr Madzimbalala HE
	Cllr Netshishivhe AA
	Cllr Netangaheni NP
	Cllr Kwinda MR
	Cllr Bongwe K
	Cllr Munzhedzi TE
	Cllr Nelufhangani TL
	Cllr Madzivhandila
	Cllr Maganu A
	Cllr Tshifhango AS
	Cllr Mathidi P
	Cllr Vhulahani L
	Cllr Madumi MA
	Cllr Maela RT
	Cllr Lalumbe RG
	Cllr Nemalegeni TJ
	Cllr Tshigwili T
	Cllr Nenzhelele N
	Cllr Molaudzi NA
	Cllr Ravhuanzwo SL
	Cllr Malindi OT - MPAC Chairperson
	Cllr Munyai TT - MPAC member
	Cllr Nelushi TA - MPAC member
	Cllr Ramulifho HB - MPAC member
	Cllr Mafunzwaini RT - MPAC member
	Cllr Muligwe M - MPAC member
	Cllr Nemaranzhe K - MPAC member
	Cllr Matshomo T - MPAC member
	Cllr Begwa FM - MPAC member
	Cllr Mmbi N - MPAC member
	Cllr Liphadzi TS - MPAC member
	Cllr Mbengeni R - MPAC member
	Cllr Nekhavhambe T - MPAC member
Grading of local authority	4
Chief Financial Officer (CFO)	Mufamadi AC

General Information

	mufamadiac@thulamela.gov.za 015 962 7515
Accounting Officer	Makumule MT
Registered office	Old Agrieven building Thohoyandou 0950
Postal address	Private bag X5066 Thohoyandou 0950
Auditors	Auditor General South Africa Registered Auditors
Attorneys	Nengwekhulu Tshiwandala Incorporated Makhuvha EM Attorneys TT Ngobeni Attorneys Tshitangano Attorneys NRM Attorneys Verveen Attorneys Rambevha Morabane Mudau and Netshipise Attorneys Inc Madima M Attorneys Inc Phungo Inc Khathutshelo A Mainganye Attorneys Tshiredo Attorneys

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Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)

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

The accounting officer certify that the salaries, allowances and benefits of councillor's as disclosed in Note 32 and 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 8 to 110, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Makumule MT

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 provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 127 360 685 (2022: surplus R 184 173 112).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 2 737 560 869 and that the municipality's total assets exceed its liabilities by R 2 737 560 869.

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 accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The Accounting Officer does not have any interest in contracts, either direct or indirect.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Accounting Officer's Report

- **Corporate governance (continued)**

Audit and risk committee

The audit committee members for the year ended 30 June 2023 were as follows:

Ms. Mudau S F	- Chairperson
Mr. Netshisimanani T	- Member
Mr. Mathabathe M	- Member
Ms Nepfumbada M	- Member

Internal audit

The municipality has a fully functional internal audit unit. This is in compliance with the Municipal Finance Management Act 56 of 2003.

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

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

Accounting Officer
Makumule MT

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	4	1 847 947 130	1 723 078 762
Intangible assets	5	837 069	499 130
		1 848 784 199	**1 723 577 892**
Current Assets			
Inventories	6	28 342 429	30 021 788
Receivables from non-exchange transactions	7	10 798 461	19 226 796
VAT receivable	14	16 165 341	11 878 264
Receivables from exchange transactions	8	16 403 500	30 369 912
Cash and cash equivalents	9	1 026 519 463	988 403 101
		1 098 229 194	**1 079 899 861**
Total Assets		**2 947 013 393**	**2 803 477 753**
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	10	13 866 336	15 194 473
Provisions	11	26 596 763	31 993 912
		40 463 099	**47 188 385**
Current Liabilities			
Finance lease obligation	12	545 283	-
Payables from exchange transactions	13	110 548 602	114 804 195
Consumer deposits	15	384 376	363 209
Employee benefit obligation	10	2 816 543	1 963 580
Unspent conditional grants and receipts	16	28 013 382	4 012 953
Provisions	11	26 681 239	24 945 249
		168 989 425	**146 089 186**
Total Liabilities		**209 452 524**	**193 277 571**
Net Assets		**2 737 560 869**	**2 610 200 182**
Accumulated surplus		2 737 560 869	2 610 200 182
Total Net Assets		**2 737 560 869**	**2 610 200 182**

* See Note 2 & 49

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	17	5 309 554	6 757 036
Service charges	18	27 517 489	25 995 649
Rendering of services	19	2 825 909	2 710 514
Rental of facilities and equipment	20	2 592 664	3 290 970
Interest received from exchange receivables	21	10 300 653	21 175 183
Agency services	22	10 464 321	9 417 738
Licences and permits	23	784 773	446 233
Commissions received	24	14 919	16 142
Other income	25	5 665 640	3 492 005
Interest received - investment	26	61 239 715	27 838 728
Actuarial gains	10	1 784 174	-
Total revenue from exchange transactions		**128 499 811**	**101 140 198**
Revenue from non-exchange transactions			
Property rates	27	94 454 843	90 940 362
Government grants & subsidies	28	716 844 571	652 161 226
Skills development levy refund	29	661 223	1 186 323
Public contributions and donations	30	26 800	-
Fines, Penalties and Forfeits	31	7 113 905	9 129 024
Interest from non-exchange receivables	32	16 497 571	14 823 164
Total revenue from non-exchange transactions		**835 598 913**	**768 240 099**
Total revenue		**964 098 724**	**869 380 297**
Expenditure			
Employee related costs	33	(325 609 318)	(297 911 342)
Remuneration of councillors	34	(31 787 005)	(30 656 831)
Depreciation and amortisation	35	(66 725 227)	(58 536 096)
Impairments loss	36	(3 881 535)	(4 866 551)
Finance costs	37	(3 140 804)	(2 859 701)
Lease rentals on operating lease	38	(4 447 659)	(2 425 555)
Debt Impairment	39	(91 115 024)	(93 731 410)
Contracted services	40	(187 289 944)	(83 465 950)
Transfers and Subsidies	41	(2 766 278)	(4 786 272)
Loss on disposal of assets	4	(7 715 777)	(6 140 270)
Actuarial losses	10	-	(1 527 081)
Inventories losses/write-downs	6	-	(572 259)
Loss on transfer of assets	42	(19 292 712)	(20 003 478)
Land write down		-	(150 997)
General Expenses	43	(92 966 756)	(77 573 392)
Total expenditure		**(836 738 039)**	**(685 207 185)**
Surplus for the year		**127 360 685**	**184 173 112**

* See Note 2 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 427 139 353	2 427 139 353
Adjustments		
Prior year adjustments 49	(1 112 283)	(1 112 283)
Balance at 01 July 2021 as restated*	**2 426 027 070**	**2 426 027 070**
Changes in net assets		
Surplus for the year	184 173 112	184 173 112
Total changes	184 173 112	184 173 112
Restated* Balance at 01 July 2022	**2 610 200 184**	**2 610 200 184**
Changes in net assets		
Surplus for the year	127 360 685	127 360 685
Total changes	127 360 685	127 360 685
Balance at 30 June 2023	**2 737 560 869**	**2 737 560 869**

Note(s)

* See Note 2 & 49

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		56 317 186	50 600 072
Service Charges - refuse		21 420 153	38 088 127
Grants		716 844 571	652 161 226
Interest income		61 239 715	27 838 728
Sale of goods		5 309 554	6 757 036
Rendering of services		2 825 909	2 710 514
Rental of facilities and equipment		2 592 664	3 290 970
Agency services		10 464 321	9 417 738
Licences and permits		784 773	446 233
Commissions received		14 919	16 142
Fines, Penalties and Forfeits		6 455 705	7 443 524
Other Income		9 298 002	3 708 955
Public contributions and donations		26 800	-
		893 594 272	802 479 265
Payments			
Employee costs		(353 790 341)	(327 315 100)
Suppliers		(276 270 497)	(195 189 729)
Finance costs		(3 074 135)	(2 859 701)
		(633 134 973)	(525 364 530)
Net cash flows from operating activities	44	**260 459 299**	**277 114 735**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(221 309 215)	(179 805 320)
Purchase of other intangible assets	5	(461 167)	(198 000)
Net cash flows from investing activities		**(221 770 382)**	**(180 003 320)**
Cash flows from financing activities			
Finance lease payments		(572 564)	-
Net increase/(decrease) in cash and cash equivalents		**38 116 353**	**97 111 415**
Cash and cash equivalents at the beginning of the year		988 403 101	891 291 688
Cash and cash equivalents at the end of the year	9	**1 026 519 454**	**988 403 103**

The accounting policies on pages 17 to 43 and the notes on pages 45 to 110 form an integral part of the annual financial statements.

* See Note 2 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Sale of goods	21 200 000	(8 500 000)	**12 700 000**	5 309 554	**(7 390 446)**	N1
Service charges	40 004 364	(11 899 194)	**28 105 170**	27 517 489	**(587 681)**	Less than 10%
Rendering of services	3 900 291	(735 761)	**3 164 530**	2 825 909	**(338 621)**	N2
Rental of facilities and equipment	4 857 600	(857 600)	**4 000 000**	2 592 664	**(1 407 336)**	N3
Interest received from exchange receivables	22 088 000	(11 928 000)	**10 160 000**	10 300 653	**140 653**	Less than 10%
Agency services	15 238 000	(3 637 000)	**11 601 000**	10 464 321	**(1 136 679)**	N4
Licences and permits	938 232	(260 852)	**677 380**	784 773	**107 393**	N5
Commissions received	20 000	(2 000)	**18 000**	14 919	**(3 081)**	N6
Other income - (rollup)	5 769 724	(2 635 794)	**3 133 930**	5 665 640	**2 531 710**	N7
Interest received - investment	22 000 000	28 000 000	**50 000 000**	61 239 715	**11 239 715**	N8
Total revenue from exchange transactions	**136 016 211**	**(12 456 201)**	**123 560 010**	**126 715 637**	**3 155 627**	
Revenue from non-exchange transactions						
Property rates	99 632 880	(6 389 540)	**93 243 340**	94 454 843	**1 211 503**	Less than 10%
Government grants & subsidies	702 845 000	42 358 553	**745 203 553**	716 844 571	**(28 358 982)**	N9
Skills development levy refund	958 400	(308 400)	**650 000**	661 223	**11 223**	Less than 10%
Public contributions and donations	-	-	-	26 800	**26 800**	N10
Fines, Penalties and Forfeits	5 352 000	4 044 000	**9 396 000**	7 113 905	**(2 282 095)**	N11
Interest from non-exchange receivables	14 672 000	1 328 000	**16 000 000**	16 497 571	**497 571**	Less than 10%
Total revenue from non-exchange transactions	**823 460 280**	**41 032 613**	**864 492 893**	**835 598 913**	**(28 893 980)**	
Total revenue	**959 476 491**	**28 576 412**	**988 052 903**	**962 314 550**	**(25 738 353)**	
Expenditure						
Personnel	(327 524 186)	(5 343 708)	**(332 867 894)**	(325 609 318)	**7 258 576**	Less than 10%
Remuneration of councillors	(33 918 196)	(417 056)	**(34 335 252)**	(31 787 005)	**2 548 247**	Less than 10%
Depreciation and amortisation	(62 464 852)	(12 975 158)	**(75 440 010)**	(66 725 227)	**8 714 783**	N12
Impairment loss/ Reversal of impairments	(1 391 840)	(2 595 336)	**(3 987 176)**	(3 881 535)	**105 641**	Less than 10%
Finance costs	(1 582 000)	(1 497 135)	**(3 079 135)**	(3 140 804)	**(61 669)**	Less than 10%
Lease rentals on operating lease	(4 000 000)	(600 000)	**(4 600 000)**	(4 447 659)	**152 341**	Less than 10%
Debt Impairment	(104 912 122)	(90 122 616)	**(195 034 738)**	(91 115 024)	**103 919 714**	N13
Contracted Services	(152 971 242)	(68 456 645)	**(221 427 887)**	(187 289 944)	**34 137 943**	N14
Transfers and Subsidies	(7 155 300)	(445 600)	**(7 600 900)**	(2 766 278)	**4 834 622**	N15
General Expenses	(112 698 846)	(18 804 241)	**(131 503 087)**	(92 966 756)	**38 536 331**	N16
Total expenditure	**(808 618 584)**	**(201 257 495)**	**(1 009 876 079)**	**(809 729 550)**	**200 146 529**	
Operating surplus	**150 857 907**	**(172 681 083)**	**(21 823 176)**	**152 585 000**	**174 408 176**	
Loss on disposal of assets	(1 183 151)	(7 029 334)	**(8 212 485)**	(7 715 777)	**496 708**	Less than 10%
Actuarial gains/losses	-	(1 800 000)	**(1 800 000)**	1 784 174	**3 584 174**	N17

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventories losses/write-downs	(1 600 000)	-	**(1 600 000)**	-	**1 600 000**	N18
Loss on transfer of assets	(262 000)	(22 200 000)	**(22 462 000)**	(19 292 712)	**3 169 288**	N19
Land write down	(3 180 000)	912 286	**(2 267 714)**	-	**2 267 714**	N20
	(6 225 151)	**(30 117 048)**	**(36 342 199)**	**(25 224 315)**	**11 117 884**	
Surplus before taxation	**144 632 756**	**(202 798 131)**	**(58 165 375)**	**127 360 685**	**185 526 060**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**144 632 756**	**(202 798 131)**	**(58 165 375)**	**127 360 685**	**185 526 060**	

Budget differences

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters. The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanations of differences identified:

N1. Sale of goods
Variance is due to auction sale of sites not concluded as at 30 June 2023

N2. Rendering of services
Variance is due to low collection on budgeted items.

N3. Rental of facilities and equipment
The variance is due to a decrease in the use of facilities and low perfomance on billboards advertisement.

N4. Agency services
Variance is due to low collection for licensing and registration of vehicles.

N5. Licences and permits
Variance is due to increase in licencing of spaza/hawkers.

N6. Commissions received
Variance is due to decrease in stop orders.

N7. Other income
Variance is caused by increase in collection on budgeted items

N8. Interest received - investment
Variance is caused by the increase in the repo rate of the South African reserve bank.

N9. Government grants & subsidies
Variance is due to unspent grant.

N10. Public donation contributions and donations
Variance is due to unplanned donation received from a supplier.

N11. Fines, Penalties and Forfeits
Variance is due to decrease on the fines issued

N12. Depreciation and amortisation
Variance is caused by projects that was completed towards year end and late delivery of some assets

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N13. Debt Impairment
Debt impairment reduced as a result of debt relief discounts

N14. Contracted services
The variance is due to repairs and maintenance undertaken in the current year

N15. Transfers and Subsidies
Variance is caused by low indigents received

N16. General Expenses
Variance is caused by over-budgeting on some expenses line items and a significant decrease in landfill provision

N17. Actuarial gains/losses
The actuarial gain is attributable to the lower than expected increase in the average salary since the previous valuation as well as the changes in the employee demographics.

N18. Inventories losses/write-downs
The variance is due to no inventory losses or written down in the current year

N19. Loss on transfer of assets
The varince is due to over-budgeting.

N20. Land write down
The varinace is due to no illegal occupation of land reported in the current year

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	99 632 880	(6 389 540)	93 243 340	-		93 243 340	94 454 843		1 211 503	101 %	95 %
Service charges	40 004 364	(11 899 194)	28 105 170	-		28 105 170	27 517 489		(587 681)	98 %	69 %
Investment revenue	22 000 000	28 000 000	50 000 000	-		50 000 000	61 239 715		11 239 715	122 %	278 %
Transfers recognised - operational	586 173 000	275 600	586 448 600	-		586 448 600	581 919 618		(4 528 982)	99 %	99 %
Other own revenue	94 994 247	(23 493 407)	71 500 840	-		71 500 840	64 015 306		(7 485 534)	90 %	67 %
Total revenue (excluding capital transfers and contributions)	**842 804 491**	**(13 506 541)**	**829 297 950**	-		**829 297 950**	**829 146 971**		**(150 979)**	**100 %**	**98 %**
Employee costs	(327 524 186)	(5 343 708)	(332 867 894)	-	-	(332 867 894)	(325 609 318)	-	7 258 576	98 %	99 %
Remuneration of councillors	(33 918 196)	(417 056)	(34 335 252)	-	-	(34 335 252)	(31 787 005)	-	2 548 247	93 %	94 %
Debt impairment	(104 912 122)	(90 122 616)	(195 034 738)			(195 034 738)	(91 115 024)	-	103 919 714	47 %	87 %
Depreciation and asset impairment	(63 856 692)	(15 570 494)	(79 427 186)			(79 427 186)	(70 606 762)	-	8 820 424	89 %	111 %
Finance charges	(1 582 000)	(1 497 135)	(3 079 135)	-	-	(3 079 135)	(3 140 804)	-	(61 669)	102 %	199 %
Transfers and grants	(7 155 300)	(445 600)	(7 600 900)	-	-	(7 600 900)	(2 766 278)	-	4 834 622	36 %	39 %
Other expenditure	(275 895 239)	(117 977 934)	(393 873 173)	-	-	(393 873 173)	(311 712 848)	-	82 160 325	79 %	113 %
Total expenditure	**(814 843 735)**	**(231 374 543)**	**(1 046 218 278)**	-	-	**(1 046 218 278)**	**(836 738 039)**	-	**209 480 239**	**80 %**	**103 %**
Surplus/(Deficit)	**27 960 756**	**(244 881 084)**	**(216 920 328)**	-		**(216 920 328)**	**(7 591 068)**		**209 329 260**	**3 %**	**(27)%**

Thulamela Local Municipality 30 June 2023

(Registration number LIM343)
Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	116 672 000	42 082 953	158 754 953	-		158 754 953	134 924 953		(23 830 000)	85 %	116 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	26 800		26 800	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**144 632 756**	**(202 798 131)**	**(58 165 375)**	**-**		**(58 165 375)**	**127 360 685**		**185 526 060**	**(219)%**	**88 %**
Surplus/(Deficit) for the year	**144 632 756**	**(202 798 131)**	**(58 165 375)**	**-**		**(58 165 375)**	**127 360 685**		**185 526 060**	**(219)%**	**88 %**

Capital expenditure and funds sources

Total capital expenditure	363 709 026	(14 496 573)	349 212 453	-		349 212 453	196 281 968		(152 930 485)	56 %	54 %

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

1.5 Property, plant and equipment

Initial recognition and measurement

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Work in progress taking significantly longer to complete is disclosed in the note of the Annual Financial Statements at carrying amount including the reasons for the delay.

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of 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. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

The projects are assessed for possible impairment as at year end and most of them are still at design stages and there is no Council decision to discontinue the projects. Where there is Council decision to discontinue the project the, the WIP projects were impaired

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	4 - 20 years
Furniture and office equipment	Straight-line	4 - 23 years
Motor vehicles	Straight-line	10 - 19 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Office equipment	Straight-line	3 - 5 years
Computer equipment	Straight-line	4 - 23 years
Roads and Stormwater Infrastructure	Straight-line	10 - 80 years
Community and building	Straight-line	10 - 60 years
Solid waste infrastructure	Straight-line	10 - 50 years
Electrical Infrastructure	Straight-line	30 - 40 years

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

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

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

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

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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 Site restoration and dismantling cost

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

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Intangible assets are initially recognised at cost. An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition. Where an intangible asset 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.

Subsequent measurement - Cost model

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test

Computer software

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Derecognition

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

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

1.8 Financial instruments

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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.

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.8 Financial instruments (continued)

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
Receivables from exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
Other receivables	Financial asset measured at fair value

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

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.

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

Additional text

All financial assets measured at amortised cost, or cost, are subject to an impairment review

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 of Financial Instruments

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

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an 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.
- Additional text

Accounting Policies

1.8 Financial instruments (continued)

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

Derecognition

The entity derecognises financial assets using trade date accounting.

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

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

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

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

Accounting Policies

1.9 Statutory receivables (continued)

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.

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.

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.9 Statutory receivables (continued)

- 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.

1.10 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, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

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 - 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.

1.11 Inventories

Initial recognition

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.

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired (including land held for sale).

Subsequent measurement

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

Accounting Policies

1.11 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost 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.

Redundant and slow-moving inventories are identified and written down in this way. 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.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.13 Employee benefits

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

Accounting Policies

1.13 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.

Recognition and measurement

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.

Bonus, incentive and performance related payments

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 payment

Post-employment benefits: Defined contribution plans

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

Recognition and measurement

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

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

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

Other long-term employee benefits may include, for example:

- long-term compensated absences such as long service or sabbatical leave;
- other long service benefits;
- long-term disability benefits;
- bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- compensation payable by the entity until an individual enters new employment.

Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be 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

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.14 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.36.

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.

1.15 Commitments

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

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.

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement

1.16 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised 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.

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

1.17 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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.

1.17 Revenue from non-exchange transactions (continued)

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

Transfers

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

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.

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

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.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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

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

Identifying whether an entity is a principal or an agent

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

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

Accounting Policies

1.21 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.22 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:
- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:
- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

Accounting Policies

1.23 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

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

1.24 Fruitless and wasteful expenditure

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

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

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

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Accounting Policies

1.26 Segment information (continued)

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.

1.27 Budget information

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

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

The approved budget is prepared on a 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 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.

Presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.28 Related parties

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

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

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

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

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

Accounting Policies

1.28 Related parties (continued)

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

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

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

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

The municipality discloses:

- The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

1.29 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.

1.30 Value Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made.

VAT is accounted for on an accrual basis in the annual financial statements.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. VAT input accruals is recognised as receivable from exchange transactions. VAT output accrual is recognised as payables from exchange transaction.

1.31 Contingent Liabilities

A contingent liability is:(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or(b) 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 service potential will be required to settle the obligation; or(ii) the amount of the obligation cannot be measured with sufficient reliability.

Accounting Policies

1.32 General Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

1.33 Accumulated Surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

1.34 Long term debtors

Long term debtors are debtors that are receivable for a period exceeding 12 months from year end. These debtors arise from the payment agreement between the customer and the Municipality.

1.35 Errors

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

1.36 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

Accounting Policies

1.36 Impairment of cash-generating assets (continued)

- 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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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2. Changes in accounting policy

An accounting policy is changed only if the change:

- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy is applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

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

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.

The effective date of the guideline is for years beginning on or after 01 April 2099.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

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 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.
- 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.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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. 01 April 2099.

The municipality expects to adopt the revisions for the first time in the 2098/2099 annual financial statements.

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.
- 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. 01 April 2099.

The municipality expects to adopt the revisions for the first time in the 2098/2099 01 April 2099.

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

GRAP 104 (as revised): Financial Instruments

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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.

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 not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

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

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 effect 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 these interpretation have not yet been set. 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

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

GRAP 1 (amended): Presentation of Financial Statements

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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 and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

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

Notes to the Annual Financial Statements

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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	122 072 440	-	122 072 440	122 072 440	-	122 072 440
Plant and machinery	19 110 876	(5 542 035)	13 568 841	18 657 395	(3 873 072)	14 784 323
Furniture and fixtures	17 716 123	(10 659 887)	7 056 236	15 490 479	(9 868 160)	5 622 319
Motor vehicles	108 770 830	(32 476 451)	76 294 379	91 058 973	(26 817 960)	64 241 013
Computer equipment	21 607 131	(7 782 969)	13 824 162	16 100 262	(6 743 858)	9 356 404
Roads and Stormwater Infrastructure	1 485 838 881	(514 884 887)	970 953 994	1 357 210 522	(475 674 660)	881 535 862
Community assets	380 347 853	(116 210 528)	264 137 325	360 077 059	(105 643 835)	254 433 224
Solid waste infrastructure	23 671 669	(17 290 381)	6 381 288	26 732 701	(16 055 973)	10 676 728
Electrical Infrastructure	68 832 098	(14 599 999)	54 232 099	54 280 394	(12 913 704)	41 366 690
Roads and Stormwater-Work in Progress	199 434 483	-	199 434 483	221 585 343	(695 684)	220 889 659
Community Assets-Work in Progress	105 969 516	(480 966)	105 488 550	84 356 786	-	84 356 786
Solid Waste-Work in Progress	7 213 842	-	7 213 842	6 189 040	-	6 189 040
Electricity-Work in Progress	7 289 491	-	7 289 491	7 554 274	-	7 554 274
Total	**2 567 875 233**	**(719 928 103)**	**1 847 947 130**	**2 381 365 668**	**(658 286 906)**	**1 723 078 762**

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	Additions through movement in landfill site provision	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Total
Land	122 072 440	-	-	-	-	-	-	-	122 072 440
Plant and machinery	14 784 323	579 965	-	(44 396)	-	-	(1 751 051)	-	13 568 841
Furniture and fixtures	5 622 319	2 593 442	-	(80 682)	-	-	(1 078 843)	-	7 056 236
Motor vehicles	64 241 013	18 019 128	-	(143 153)	-	-	(5 822 609)	-	76 294 379
Computer equipment	9 356 404	7 552 583	-	(640 350)	-	-	(2 444 475)	-	13 824 162
Roads and Stormwater Infrastructure	881 535 862	2 592 809	-	(3 332 805)	135 082 882	-	(42 222 308)	(2 702 446)	970 953 994
Community assets	254 433 224	5 624 272	-	(3 405 787)	18 267 765	-	(10 390 165)	(391 984)	264 137 325
Solid waste infrastructure	10 676 728	-	(3 009 031)	(4 780)	-	-	(1 281 629)	-	6 381 288
Electrical Infrastructure	41 366 690	4 254 942	-	(63 828)	10 591 353	-	(1 610 919)	(306 139)	54 232 099
Roads and Stormwater-Work in Progress	220 889 659	120 871 415	-	-	-	(142 326 591)	-	-	199 434 483
Community Assets-Work in Progress	84 356 786	39 880 494	-	-	-	(18 267 764)	-	(480 966)	105 488 550
Solid Waste-Work in Progress	6 189 040	1 024 802	-	-	-	-	-	-	7 213 842
Electricity-Work in Progress	7 554 274	22 375 572	-	(19 292 711)	-	(3 347 644)	-	-	7 289 491
	1 723 078 762	**225 369 424**	**(3 009 031)**	**(27 008 492)**	**163 942 000**	**(163 941 999)**	**(66 601 999)**	**(3 881 535)**	**1 847 947 130**

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	Additions through movement in landfill site provision	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
Land	122 072 440	-	-	-	-	-	-	-	-	122 072 440
Plant and machinery	9 734 162	6 742 153	-	(350 924)	-	-	(1 341 068)	-	-	14 784 323
Furniture and fixtures	5 795 841	1 149 976	-	(343 150)	134 347	-	(966 349)	(149 205)	859	5 622 319
Motor vehicles	56 904 539	13 792 687	-	(1 016 302)	-	-	(5 439 911)	-	-	64 241 013
Computer equipment	5 462 034	558 753	-	(152 027)	4 562 651	-	(1 087 591)	-	12 584	9 356 404
Roads and Stormwater Infrastructure	748 966 622	8 668 030	-	(4 000 317)	166 851 099	-	(36 104 218)	(2 845 354)	-	881 535 862
Community assets	194 734 172	1 387 999	-	(221 126)	68 904 239	-	(9 182 308)	(1 189 752)	-	254 433 224
Solid waste infrastructure	16 279 695	-	(3 275 845)	-	-	-	(2 327 122)	-	-	10 676 728
Electrical Infrastructure	34 926 722	-	-	(6 967)	7 879 213	-	(1 432 278)	-	-	41 366 690
Roads and Stormwater-Work in Progress	299 873 515	96 442 139	-	-	-	(174 730 311)	-	(695 684)	-	220 889 659
Community Assets-Work in Progress	128 834 779	24 426 247	-	-	-	(68 904 240)	-	-	-	84 356 786
Computer Equipment - Work in Progress	1 973 693	2 723 307	-	-	-	(4 697 000)	-	-	-	-
Solid Waste-Work in Progress	4 189 467	1 999 573	-	-	-	-	-	-	-	6 189 040
Electricity-Work in Progress	2 367 451	25 190 301	-	(20 003 478)	-	-	-	-	-	7 554 274
	1 632 115 132	**183 081 165**	**(3 275 845)**	**(26 094 291)**	**248 331 549**	**(248 331 551)**	**(57 880 845)**	**(4 879 995)**	**13 443**	**1 723 078 762**

Included under Land are strategic assets held in order to fulfil the municipality's main mandate in the foreseeable future. These assets represent vacant land owned by the municipality for which specific usage has not been determined. The municipality uses the Thulamela Land Use Management Scheme 2006 to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations. In line with Land Use Management Scheme 2006 the land zoned Municipal could be used to develop inter alia:

- Agricultural buildings
- Agricultural land
- Nature conservation
- Recreational

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

- Reservoir
- Cemetery
- Dumping site
- Taxi rank
- Taxi holding area

Pledged as security

No assets have been pledged as security.

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	220 889 661	84 356 787	7 554 275	6 189 039	318 989 762
Additions/capital expenditure	120 871 415	39 880 504	22 375 571	1 024 802	184 152 292
Disposal	-	-	(19 292 711)	-	(19 292 711)
Impairment loss	-	(480 966)	-	-	(480 966)
Transferred to completed items	(142 326 591)	(18 267 764)	(3 347 644)	-	(163 941 999)
	199 434 485	**105 488 561**	**7 289 491**	**7 213 841**	**319 426 378**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Included within Computer Equipment	Total
Opening balance	299 873 517	128 834 778	2 367 452	4 189 467	1 973 696	437 238 910
Additions/capital expenditure	96 442 139	24 426 247	25 190 301	1 999 572	2 723 304	150 781 563
Disposal	-	-	(20 003 478)	-	-	(20 003 478)
Impairment loss	(695 684)	-	-	-	-	(695 684)
Transferred to completed items	(174 730 311)	(68 904 238)	-	-	(4 697 000)	(248 331 549)
	220 889 661	**84 356 787**	**7 554 275**	**6 189 039**	**-**	**318 989 762**

Included in Work In Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Reasons for significant delays	Project Name	Class	Source of funding	Carrying value
The project is currently waiting for the community to agree on where the municipality wants to build the bridge	Dzwerani Bridge	Roads and Stormwater-WIP	Own	1
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Lwamondo Zwavhavhli Ring Road	Roads and Stormwater-WIP	Own	1 642 289
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Tshisaulu Riverside Ring Road	Roads and Stormwater-WIP	Own	1 052 967
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	TSHISHUSHURU RING ROAD	Roads and Stormwater-WIP	Own	1 460 788
There was an error on the design , especially the glass,	Upgrading of Makwarela Stadium Phase 1	Community Assets-WIP	MIG	42 336 477
Lack of funding , it's on the IDP and the project will continue	New Office Building Block sibasa (Trafic)	Community Assets-WIP	Own	10 352 194

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Makumbani Access Road	Roads and Stormwater-WIP	MIG	1 332 064
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Tshilungoma ring road	Roads and Stormwater-WIP	Own	1 314 713
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou J EXT. 1 Ring Road	Roads and Stormwater-WIP	Own	1 301 863
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Shayandima A and Ext 3 Streets	Roads and Stormwater-WIP	Own	1 315 309
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Tshivhilundulu bus and Fondwe Clinic Road	Roads and Stormwater-WIP	Own	1 260 180
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Lwamondo Teritorrial Road	Roads and Stormwater-WIP	Own	1 492 541
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou M Streetlight	Electricity-WIP	Own	300 000
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Upgrade Mapate Access Road	Roads and Stormwater-WIP	Own	1 086 600
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou C Streets Lights	Electricity-WIP	Own	260 821
Lack of funding , it's on the IDP and the project will continue	Thulamela Show Site	Community Assets-WIP	Own	198 319
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou E Street Light	Electricity-WIP	Own	290 000
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Makwarela Ext 3 and 4 Streets Lights	Electricity-WIP	Own	259 000
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Hollywood to 2 Ten Street Lights	Electricity-WIP	Own	260 870
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Shayandima Ext Street Lights	Electricity-WIP	Own	260 870
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou L Street Lighting	Electricity-WIP	Own	260 000
Project is on Shelf, feasibility studies done, awaiting funding for implementation. Management intend to continue with the project	Thohoyandou D and E Streetlight	Electricity-WIP	Own	215 021
				68 252 887

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and Facilities	3 080 443	2 103 465
Maintenance of Equipment	4 101 033	4 020 812
Maintenance of Unspecified Assets	97 979 230	21 610 750
	105 160 706	**27 735 027**

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.

Notes to the Annual Financial Statements

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5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 792 194	(3 955 125)	837 069	4 331 027	(3 831 897)	499 130

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	499 130	461 167	(123 228)	837 069

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 005 833	198 000	(49 452)	(655 251)	499 130

Pledged as security

No intangible assets has been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Inventories

Consumable stores	9 927 918	11 457 277
Unsold Properties Held for Resale	18 414 511	18 715 508
	28 342 429	30 172 785
Inventories (write-downs)	-	(150 997)
	28 342 429	**30 021 788**

The total value of the write-down is shown on the face of the Statement of Financial Performance as R as of 30 June 2023 (2022: R150 997).

Inventory pledged as security

No inventory have been pledged as security.

7. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	314 703 968	287 443 127
Traffic fines	34 175 863	33 517 663
	348 879 831	**320 960 790**

Less: Allowance for impairment		
Consumer debtors - Rates	(305 272 542)	(269 557 038)
Traffic fines	(32 808 828)	(32 176 956)
	(338 081 370)	**(301 733 994)**

Net balance		
Consumer debtors - Rates	9 431 426	17 886 089
Traffic fines	1 367 035	1 340 707
	10 798 461	**19 226 796**

Rates		
Current (0 -30 days)	14 210 480	8 135 692
31 - 60 days	6 296 070	6 454 782
61 - 90 days	6 046 167	6 234 776
91 - 120 days	5 956 675	6 167 461
121 - 365 days	282 194 576	260 450 415
	314 703 968	**287 443 126**

Traffic fines		
Current (0 -30 days)	86 450	58 900
31 - 60 days	186 000	67 300
61 - 90 days	278 550	278 750
91 - 120 days	265 800	283 000
121 - 365 days	33 359 063	32 829 713
	34 175 863	**33 517 663**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

	2023	2022
Consumers (residential)		
Current (0 -30 days)	6 937 589	3 045 728
31 - 60 days	2 964 457	2 950 258
61 - 90 days	2 865 015	2 897 030
91 - 120 days	2 815 408	2 858 729
121 - 365 days	157 724 865	154 711 678
	173 307 334	**166 463 423**

	2023	2022
Industrial/ commercial		
Current (0 -30 days)	4 474 520	2 822 867
31 - 60 days	1 267 310	1 373 734
61 - 90 days	1 200 331	1 293 516
91 - 120 days	1 175 570	1 196 803
121 - 365 days	48 647 735	46 687 301
	56 765 466	**53 374 221**

	2023	2022
National and provincial government		
Current (0 -30 days)	2 798 371	2 267 098
31 - 60 days	2 064 303	2 130 791
61 - 90 days	1 980 821	2 044 231
91 - 120 days	1 965 697	2 111 929
121 - 365 days	75 821 976	59 051 436
	84 631 168	**67 605 485**

	2023	2022
Total		
Current (0 -30 days)	14 210 480	8 135 692
31 - 60 days	6 296 070	6 454 782
61 - 90 days	6 046 167	6 234 776
91 - 120 days	5 956 675	6 167 461
121 - 365 days	282 194 576	260 450 415
	314 703 968	287 443 126
Less: Allowance for impairment	(305 272 542)	(269 557 038)
	9 431 426	**17 886 088**

	2023	2022
Reconciliation of allowance for impairment		
Balance at beginning of the year	(301 733 994)	(242 179 675)
Contributions to allowance	(36 347 376)	(59 554 319)
	(338 081 370)	**(301 733 994)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

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

Provision for credit losses is potential losses that the municipality might experience due to credit risk. An estimated amount to be lost is calculated and is treated as an expense on the municipality's financial statements. Non-payment of debt would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of the municipality.

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:
(a) Individually significant receivables are impaired; and/or
(b) Groups of similar, individually insignificant, receivables are impaired.

The total debtors were separated into groups of similar receivables with similar risk profiles and assessed for impairment.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councillors, exhibiting similar characteristics which provide information about the possible collectability of the amounts owing to the municipality.

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose, management adopted the payment pattern of each receivable over the previous 12 months as the most appropriate methodology as it reflects the amount likely to be collected in future.

The impairment loss was measured 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 receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Impairment of traffic fine debtors were based only on historical payment trend of total debt.

Included in consumer debtors - Rates is fines for Illegal use of land which we could not be separated due to mSCOA mapping

Figures in Rand	2023	2022

8. Receivables from exchange transactions

	2023	2022
Gross balances		
Accrued Interest	702 144	172 586
Other debtors	2 228 354	2 553 951
Sundry debtors	2 612 383	2 502 521
Vat input accrual	8 157 714	11 442 677
Consumer debtors - Refuse	147 756 860	137 249 980
Consumer debtors - Service charges	88 781 315	82 890 206
	250 238 770	**236 811 921**
Less: Allowance for impairment		
Other debtors	(2 139 217)	-
Sundry debtors	(2 531 736)	-
Consumer debtors - Refuse	(143 389 124)	(128 709 629)
Consumer debtors - Service charges	(85 775 193)	(77 732 380)
	(233 835 270)	**(206 442 009)**
Net balance		
Accrued Interest	702 144	172 586
Other debtors	89 137	2 553 951
Sundry debtors	80 647	2 502 521
Vat input accrual	8 157 714	11 442 677
Consumer debtors - Refuse	4 367 736	8 540 351
Consumer debtors - Service charges	3 006 122	5 157 826
	16 403 500	**30 369 912**
Sundry debtors		
Current (0 -30 days)	101 946	369 099
31 - 60 days	34 134	42 855
61 - 90 days	59 815	77 252
91 - 120 days	29 094	75 267
121 - 365 days	289 443	548 145
> 365 days	2 097 951	1 389 903
	2 612 383	**2 502 521**
Refuse		
Current (0 -30 days)	3 443 940	2 898 037
31 - 60 days	2 730 938	2 660 630
61 - 90 days	2 630 262	2 578 127
91 - 120 days	2 576 524	2 537 288
121 - 365 days	136 375 196	126 575 898
	147 756 860	**137 249 980**
Service charges		
Current (0 -30 days)	1 337 851	(4 396 531)
31 - 60 days	619 704	1 044 912
61 - 90 days	621 182	981 631
91 - 120 days	731 017	850 835
121 - 365 days	85 471 561	84 409 360
	88 781 315	**82 890 207**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2023	2022
Consumers (residential)		
Current (0 -30 days)	3 624 224	(2 202 811)
31 - 60 days	2 519 944	3 561 331
61 - 90 days	2 468 502	2 649 459
91 - 120 days	2 442 456	2 522 385
121 - 365 days	185 869 557	178 988 887
	196 924 683	**185 519 251**
Industrial/ commercial		
Current (0 -30 days)	943 488	613 969
31 - 60 days	709 734	790 734
61 - 90 days	669 452	749 272
91 - 120 days	767 378	650 558
121 - 365 days	31 092 765	27 463 530
	34 182 817	**30 268 063**
National and provincial government		
Current (0 -30 days)	214 079	90 349
31 - 60 days	120 964	140 404
61 - 90 days	113 490	113 354
91 - 120 days	97 706	109 263
121 - 365 days	4 884 434	3 899 505
	5 430 673	**4 352 875**
Total		
Current (0 -30 days)	4 781 791	(1 498 494)
31 - 60 days	3 350 641	3 705 542
61 - 90 days	3 251 444	3 559 758
91 - 120 days	3 307 540	3 388 123
121 - 365 days	221 846 757	210 985 257
	236 538 173	220 140 186
Less: Allowance for impairment	(229 164 317)	(206 442 009)
	7 373 856	**13 698 177**

Reconciliation of allowance for impairment

	2023	2022
Balance at beginning of the year	(206 442 009)	(411 243 396)
Contributions to allowance	(27 393 261)	204 801 387
	(233 835 270)	**(206 442 009)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Receivables from exchange transactions (continued)

Receivables from exchange general information

Basis used to assess and test whether receivables from exchange transactions is impaired

Provision for credit losses is potential losses that the municipality might experience due to credit risk. An estimated amount to be lost is calculated and is treated as an expense on the municipality's financial statements. Non-payment of debt would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of the municipality.

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:
(a) Individually significant receivables are impaired; and/or
(b) Groups of similar, individually insignificant, receivables are impaired.

The total debtors were separated into groups of similar receivables with similar risk profiles and assessed for impairment.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councillors, exhibiting similar characteristics which provide information about the possible collectability of the amounts owing to the municipality.

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose, management adopted the payment pattern of each receivable over the previous 12 months as the most appropriate methodology as it reflects the amount likely to be collected in future.

The impairment loss was measured 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 receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Consumer debtors pledged as security

No consumer debtors were pledged as security in the current financial year.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	483 399 825	395 611 849
Short-term deposits	487 355 362	591 135 679
Money market	55 764 276	1 655 573
	1 026 519 463	**988 403 101**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

	2023	2022
Total financial assets pledged as collateral for services rendered by the Post Office to the Municipality - 850 000	850 000	850 000

Included in the main primary bank account is a guarantee/security of R850 000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the bank.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
FNB BANK - CHEQUE - 54660078973	482 829 401	395 159 040	483 399 822	395 611 850
FNB BANK - CALL - 62090588016	188 908 748	189 363 724	188 908 748	189 363 724
FNB BANK - CALL - 62090588793	298 446 613	401 771 955	298 446 613	401 771 955
FNB BANK - MONEY MARKET - 62336900320	55 764 276	1 655 573	55 764 277	1 655 574
Total	**1 025 949 038**	**987 950 292**	**1 026 519 460**	**988 403 103**

The difference between the Cash and cash equivalents balance for the Cheque (primary) account as per the underlying accounting records and the Bank confirmation/certificate is caused by outstanding deposits and payments. These are payments made and receipts received close to year end, therefore, they do not yet reflect in the banking systems.

Outstanding deposits reflecting in the Cashbook and not yet reflecting in the bank as at 30 June 2023 - Cheque Account	619 270.59
Payments reflecting in the bank and not yet reflecting in the cashbook as at 30 June 2023 - Cheque Account	-48 849.78
Net difference between the Cashbook and Bank Confirmed Balance	570 420.81

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations

Defined benefit plan

Long service awards

Long service awards policy

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth

The municipality provides long-service awards to its permanent employees.

The municipality offers rewards for specified year intervals of completed service.

Valuation method

The Projected Unit Credit (PUC) method is used in the calculations, as required by GRAP25.

The projected unit credit method is an actuarial valuation method that 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.

Under the PUC methodology, an employee's current salary is projected to future dates using a salary growth scale. It is assumed that benefits that will accrue in the future are earned evenly between the employee's date of joining and the date that the benefit becomes available to the employee. The salaries shown in this report are based on the 30 June 2023 salaries as provided by the Municipality. We have not made any allowance for an average salary increase on 1 July 2023.

In order to determine the present value of the defined benefit obligations (i.e. the actuarial liability) the cost of the benefits payable in the future is attributed between past service (i.e. service before the valuation date) and future service (i.e. service after the valuation date) on a prorated basis. The actuarial present value of the benefits attributed to past service is the defined benefit obligation.

The amount of the actuarial liability that will be attributed to the employee over the one-year period after the valuation date, is known as the current service cost. It represents the value (at the valuation date) of the benefits that will be earned over the following year due to one additional year's service.

In order to determine the defined benefit obligation and the current service cost, future benefits are discounted for investment returns (time-value of money), mortality and other relevant decrements.

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated for 584 eligible employees as at 30 June 2024 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(16 682 879)	(17 158 053)
Non-current liabilities	(13 866 336)	(15 194 473)
Current liabilities	(2 816 543)	(1 963 580)
	(16 682 879)	**(17 158 053)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

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

Opening balance	17 158 053	14 768 463
Benefits paid	(1 963 580)	(1 515 937)
Net expense recognised in the statement of financial performance	1 488 406	3 905 527
	16 682 879	**17 158 053**

Net expense recognised in the statement of financial performance

Current service cost	1 292 541	1 233 789
Interest cost	1 980 039	1 144 657
Actuarial (gains) losses	(1 784 174)	1 527 081
	1 488 406	**3 905 527**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 784 174)	1 527 081

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.74 %	11.54 %
CPI	6.53 %	7.45 %
Expected increase in salaries	7.53 %	8.45 %
Real rate	3.92 %	3.81 %
Normal retirement age (years)	65	65
Average retirement age (years)	63	63
Mortality	SA85-90	SA85-90

GRAP25 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 of the obligation.

Discount rate

GRAP25 requires that the market returns on high quality corporate interest bearing bonds should be used on the balance sheet date. Should a deep market of high quality corporate bonds not exist (as is the case in South Africa), the market yields (at the end of the reporting period) on government bonds of a consistent currency and term to that of the liabilities should be used to set the discount rate.

The duration as at 30 June 2022 was calculated to be 8,3 years, which was used to determine the discount rate based on the long term yield on the zero coupon government bond curve as at 30 June 2023. This discount rate was 11,74% p.a.

A discount rate of 11,54% per annum was used in the previous valuation.

The current duration of the past service liability was calculated as 8,1 years, which can be used to determine the discount rate in the next valuation.

Inflation rate

Our expectation of future inflation amounted to 6,53% p.a. on the valuation date. This was calculated as the real difference between the yield on long-term government bonds of 11,74% and the index-linked bond yield of 4,89% i.e. [1,1174/1,0489]-1.

Inflation was assumed to be 7,45% p.a. in the previous valuation.

Salary increases

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. We used a salary escalation rate of 7,53% per annum in addition to the above-mentioned merit increases, which includes real growth of approximately 1% per annum (i.e. an inflation rate of 6,53% has been assumed).

In the calculations, we assume that the salary increases are given on 1 July of each year.

A salary escalation rate of 8.45% per annum was used in the previous valuation.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

Other assumptions

The results in the main report are based on a discount rate of 11,74% per annum and a salary escalation rate of 7,53% per annum with additional provision for merit increases. This implies a real return of 3,92% per annum (1,1174/1,0753-1), without merit increases.

The results are sensitive to the real rate that is assumed. This is illustrated by doing the calculations using the same salary escalation rate but different discount rates.

The liabilities calculated using different real rates compare as follows:

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability	15 793 097	17 669 260
Employer's current service cost	1 105 102	1 270 979
Employer's interest cost	2 012 041	1 897 679

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Present value of Defined benefit obligation	(16 682 879)	(17 158 053)	(14 768 463)	(13 829 533)	(12 578 748)
Experience adjustments on plan liabilities	(1 784 174)	1 527 081	(101 841)	(76 510)	90 416

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	31 993 912	-	3 074 135	(8 471 284)	26 596 763
Provision for leave	24 945 249	1 735 990	-	-	26 681 239
	56 939 161	**1 735 990**	**3 074 135**	**(8 471 284)**	**53 278 002**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	32 410 056	-	2 859 701	(3 275 845)	31 993 912
Provision for leave	24 734 393	210 856	-	-	24 945 249
	57 144 449	**210 856**	**2 859 701**	**(3 275 845)**	**56 939 161**

	2023	2022
Non-current liabilities	26 596 763	31 993 912
Current liabilities	26 681 239	24 945 249
	53 278 002	**56 939 161**

Environmental rehabilitation provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. For this landfill the rate associated with the maximum period of 11 years was used, i.e. 5.25% above CPI.

Key Assumptions used:

The Remaining Useful life (RUL) of landfill site	11
CPI	6.1716%
Discount rate	11.4216%
Net effective discount rate	5.25%

Provision for leave

The Municipality grants its employees either 12,22,24 and 27 working days leave per year in recognition of services rendered. Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of the SALBC agreement. The leave provision is calculated by taking the total basic salary/no of working days per year x number of days unused. The municipality has decided not to assess the provision quarterly, however to calculate the provision for leave towards end of financial year to salvage cost.

12. Finance lease obligation

	2023	2022
Minimum lease payments due		
- within one year	572 564	-
	572 564	-
less: future finance charges	(27 280)	-
Present value of minimum lease payments	**545 284**	**-**
Present value of minimum lease payments due		
- within one year	545 283	-

The cellphone lease contracts were signed with Vodacom over a period of 2 years.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Payables from exchange transactions

Trade payables	19 524 056	35 790 045
Income received in advance	12 628 469	11 617 114
Accruals	17 334 761	3 847 647
Retentions	34 638 657	39 104 206
Accrued bonus	6 595 211	6 034 220
VAT output accrual	17 313 460	17 439 275
Unallocated deposits	2 513 988	971 688
	110 548 602	**114 804 195**

14. VAT receivable

VAT	16 165 341	11 878 264

The municipality is registered for VAT on a cash basis with SARS. Vat is payable over to SARS only once the payment is received from debtors and is receivable from SARS once the payment has been made to creditors. The amount above is an accumulation of the accrual and cash basis of taking VAT into account.

15. Consumer deposits

Building plans	64 070	55 106
Rental of facilities	320 306	308 103
	384 376	**363 209**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	28 000 000	-
Integrated National Electrification Programme	13 382	-
Municipal Disaster Relief Grant	-	4 012 953
	28 013 382	**4 012 953**

Movement during the year

Balance at the beginning of the year	4 012 953	10 639 179
Additions during the year	740 845 000	645 535 000
Income recognition during the year	(716 844 571)	(652 161 226)
	28 013 382	**4 012 953**

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

17. Sale of goods

Tender documents	122 498	197 997
Sale of property	5 187 056	6 559 039
	5 309 554	**6 757 036**

18. Service charges

Solid waste	27 517 489	25 995 649

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Rendering of services

Building plan fees	458 365	511 176
Property rezoning	99 423	92 029
Application of deed grant	284 882	214 202
Advertising	42 840	35 964
Application fees for land usage	480 856	385 031
Application of sub-division	67 794	140 129
Property transfer fees	819 238	624 730
Cemetery and Burials	329 343	432 218
Clearance certificates	62 456	52 586
Traffic control	13 926	-
Trading of animals	3 021	2 877
Demolition application fees	163 765	219 572
	2 825 909	**2 710 514**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2 592 664	3 290 970

21. Interest received from exchange receivables

Interest from non-exchange receivables	10 300 653	21 175 183

22. Agency services

Vehicle Registration	10 464 321	9 417 738

Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The Municipality would retain a certain portion of all receipts as compensation (agency fees) for administering these services on behalf of the Department.

The Department uses the Municipality and its staff due to the proximity of the Municipality to households.

The Municipality only recognised the net revenues (agency fees) that accrued to it and only the expenditure incurred by the Municipality.

23. Licences and permits

Trading	784 773	446 233

The Trading licences relates to Spaza/Hawker licences.

24. Commissions received

Commissions received	14 919	16 142

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Other income

Staff recoveries	-	16 230
Printing and photocopying	258 373	237 177
Insurance	1 695 238	1 294 420
Sundry revenue	3 712 029	1 944 178
	5 665 640	**3 492 005**

26. Investment revenue

Interest revenue		
Bank	61 239 715	27 838 728

27. Property rates

Rates received

Residential	40 554 970	38 023 993
Commercial	21 449 984	20 086 916
State	32 449 889	32 829 453
	94 454 843	**90 940 362**

Valuations

Residential	6 863 397 100	6 675 542 700
Commercial	2 993 097 802	2 907 245 440
State	2 970 054 500	3 001 253 500
Municipal	1 112 631 200	1 036 007 200
	13 939 180 602	**13 620 048 840**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on a monthly basis on property owners.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants & subsidies

Operating grants		
Equitable share	547 969 000	495 781 179
Integrated National Electrification Programme	22 186 618	23 000 000
Financial Management Grant	1 650 000	1 650 000
Expanded Public Works Programme Grant	4 864 000	6 069 000
Infrastructure Skills Development Grant	5 250 000	5 500 000
	581 919 618	**532 000 179**
Capital grants		
Municipal Infrastructure Grant	115 912 000	111 174 000
Municipal Disaster Relief Grant	4 012 953	8 987 047
Neighbourhood Development Partnership Grant	15 000 000	-
	134 924 953	**120 161 047**
	716 844 571	**652 161 226**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	168 875 571	156 380 047
Unconditional grants received	547 969 000	495 781 179
	716 844 571	**652 161 226**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 891 (2022: R 891), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	10 639 179
Current-year receipts	143 912 000	111 174 000
Conditions met - transferred to revenue	(115 912 000)	(111 174 000)
MIG set-off with equitable share	-	(10 639 179)
	28 000 000	**-**

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

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of households

Expanded Public Works Programme Integrated Grant

Current-year receipts	4 864 000	6 069 000
Conditions met - transferred to revenue	(4 864 000)	(6 069 000)
	-	-

The grant was used for extended public works programs.

Financial Management Grant

Current-year receipts	1 650 000	1 650 000
Conditions met - transferred to revenue	(1 650 000)	(1 650 000)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants & subsidies (continued)

	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003.

Infrastructure Skills Development Grant

	2023	2022
Current-year receipts	5 250 000	5 500 000
Conditions met - transferred to revenue	(5 250 000)	(5 500 000)
	-	-

The grant was used for skills development related to infrastructure improvements.

Integrated National Electrification Programme

	2023	2022
Current-year receipts	22 200 000	23 000 000
Conditions met - transferred to revenue	(22 186 618)	(23 000 000)
	13 382	-

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

The grant was used to address the electrification backlog of permanently occupied residents. There after the projects are handed over to Eskom for collection of revenue and maintenance.

Municipal Disaster Relief Grant

	2023	2022
Balance unspent at beginning of year	4 012 953	-
Current-year receipts	-	13 000 000
Conditions met - transferred to revenue	(4 012 953)	(8 987 047)
	-	**4 012 953**

Neighbourhood Development Partnership Grant

	2023	2022
Current-year receipts	15 000 000	-
Conditions met - transferred to revenue	(15 000 000)	-
	-	-

29. Skills development levy refund

	2023	2022
Skills development levy refund	661 223	1 186 323

30. Public contributions and donations

	2023	2022
Donations	26 800	-

The donation relates to a Roadblock Handheld device for scanning of license disks as well as drivers licenses for outstanding offences from TCS to the value of 17 000 and a donation from Mulamuleli Trading and Projects of four 5GHz wireless radio link devices valued at R2 450 each.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Fines, Penalties and Forfeits

Building Fines	53 393	70 554
Law Enforcement Fines	2 574	4 389 892
Municipal Traffic Fines	2 976 570	2 982 770
Undeveloped Sites Fines	4 081 368	1 685 808
	7 113 905	**9 129 024**

32. Interest from non-exchange receivables

Interest from non-exchange receivables	16 497 571	14 823 164

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Employee related costs

Basic	211 670 475	200 874 854
Bonus	16 609 963	15 155 014
Medical aid - company contributions	11 461 045	10 182 680
UIF	1 370 439	1 393 402
Leave pay provision charge	3 343 922	1 546 198
Overtime payments	10 418 018	8 053 632
Long-service awards	4 422 544	2 936 485
Acting allowances	420 010	149 425
Car allowance	21 912 785	20 126 993
Housing benefits and allowances	324 777	489 471
Industrial council levies	75 298	70 834
Cellphone allowances	48 000	51 600
Pension Fund Contribution	39 180 694	36 880 754
Fringe benefits	4 351 348	-
	325 609 318	**297 911 342**

Remuneration of municipal manager

Annual Remuneration	878 830	889 016
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	303 274	120 777
13th cheque Bonus	48 824	89 763
Leave pay	-	184 410
Acting allowance	35 935	35 934
Contributions to UIF, SDL, Medical and Pension Funds	12 709	211 199
	1 279 572	**1 531 099**

Remuneration of chief finance officer

Annual Remuneration	758 842	951 979
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	239 326	372 973
Acting allowance	66 588	8 791
13th cheque Bonus	20 486	-
Leave pay	120 559	14 489
Contributions to UIF, SDL, Medical and Pension Funds	54 643	-
	1 260 444	**1 348 232**

Senior Manager: Corporate services

Annual Remuneration	1 013 865	956 475
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	286 660	225 641
13th cheque Bonus	82 794	79 706
Acting allowance	-	15 348
Contributions to UIF, SDL, Medical and Pension Funds	46 088	44 152
	1 429 407	**1 321 322**

Senior Manager: Technical services

Annual Remuneration	1 078 752	1 026 434
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	210 307	192 242
Acting allowance	54 001	70 470
Contributions to UIF, SDL, Medical and Pension Funds	72 988	-
	1 416 048	**1 289 146**

Senior Manager: Planning and Development

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Employee related costs (continued)

Annual Remuneration	275 053	933 422
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	86 682	281 445
13th cheque Bonus	40 316	77 785
Acting allowance	76 958	14 679
Leave pay	107 806	-
Contributions to UIF, SDL, Medical and Pension Funds	5 256	-
	592 071	**1 307 331**

Senior manager: Community services

Annual Remuneration	672 286	836 262
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	233 981	297 353
13th cheque Bonus	66 140	69 689
Leave pay	163 278	71 501
Contributions to UIF, SDL, Medical and Pension Funds	57 063	-
	1 192 748	**1 274 805**

34. Remuneration of councillors

Executive Mayor	981 839	1 056 807
Chief Whip	749 134	460 627
Speaker	790 140	515 992
Councillors	29 265 892	28 623 405
	31 787 005	**30 656 831**

In-kind benefits

The remuneration for the Executive Mayor, Speaker, Chief Whip and all other councillors is inclusive of a cellphone allowance, travelling allowance and other benefits. The Executive Mayor, Speaker and Chief whip are full-time. Each is provided with an office.

The Mayor and the Speaker have use of a Council owned vehicle and driver for official duties.

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

Refer to note 47: Related Parties for the detailed disclosure regarding councillors' remuneration.

35. Depreciation and amortisation

Property, plant and equipment	66 601 999	57 880 845
Intangible assets	123 228	655 251
	66 725 227	**58 536 096**

36. Impairment loss

Impairments

Property, plant and equipment	3 881 535	4 866 551

37. Finance costs

Finance leases	66 669	-
Environmental rehabilitation provision	3 074 135	2 859 701
	3 140 804	**2 859 701**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Lease rentals on operating lease

Equipment		
Contractual amounts	4 447 659	2 425 555

39. Debt impairment

Debt impairment	63 740 637	(145 247 068)
Bad debts written off	27 374 387	238 978 478
	91 115 024	**93 731 410**

40. Contracted services

Outsourced Services		
Administrative and Support Staff	1 031 028	523 480
Burial Services	52 186	-
Catering Services	1 203 099	762 101
Hygiene Services	166 528	242 972
Security Services	12 711 577	9 648 404
Consultants and Professional Services		
Business and Advisory	23 845 047	17 169 241
Infrastructure and Planning	5 765 174	6 015 600
Legal Cost	22 595 590	16 919 928
Contractors		
Artists and Performers	83 900	9 500
Audio-visual Services	244 379	46 431
Building	332 211	115 518
Catering Services	80 720	-
Electrical	10 543 396	2 528 125
Employee Wellness	3 439 582	1 702 577
Event Promoters	-	5 950
Maintenance of Buildings and Facilities	3 080 443	2 103 465
Maintenance of Equipment	4 101 033	4 020 812
Maintenance of Unspecified Assets	97 979 230	21 610 750
Pest Control and Fumigation	6 821	-
Stage and Sound Crew	28 000	41 096
	187 289 944	**83 465 950**

41. Transfer and subsidies

Other subsidies		
Poverty Relief	1 555 424	3 890 939
Grant in Aid	1 146 019	895 333
LG SETA	64 835	-
	2 766 278	**4 786 272**

42. Loss on transfer of assets

Loss on transfer of assets	(19 292 712)	(20 003 478)

Loss on transfer of assets relates to completed INEP electrification projects which were completed and transferred to Eskom.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. General expenses

Advertising	721 149	518 406
Auditors remuneration	5 094 075	4 134 084
Bank charges	303 296	270 664
Consumables	14 644 904	12 071 219
Entertainment	21 500	19 500
Hire	792 939	456 268
Insurance	6 230 353	10 165 368
Skills Development Fund Levy	2 641 854	2 479 767
Indigent Relief	418 863	1 392 221
Fuel and oil	13 640 625	8 104 163
Postage and courier	657 625	769 263
Printing and stationery	979 725	492 104
Protective clothing	3 065 605	1 827 770
Royalties and license fees	860 282	679 711
Subscriptions and membership fees	5 010 845	4 301 099
Telephone and fax	8 695 117	8 240 119
Travel - local	7 241 663	3 048 888
Title deed search fees	8 134	7 137
Assets expensed	-	21 000
Utilities - Other	13 967 456	8 879 668
Conference expenses	2 142 140	1 465 176
Cost of site sold	150 000	45 000
Dumping fees	3 660 870	3 710 210
Ward committee allowances	5 470 200	2 800 749
Servitudes and land surveys	5 317	-
Signage	-	959 000
Workmen's compensation fund	2 004 472	714 838
Decommissioning Restoration & Similar Liabilities:Landfill	(5 462 253)	-
	92 966 756	**77 573 392**

44. Cash generated from operations

Surplus	127 360 685	184 173 112
Adjustments for:		
Depreciation and amortisation	66 725 227	58 536 096
Loss on disposal of assets	7 715 777	6 140 270
Loss on transfer of assets	19 292 712	20 003 478
Land write down	-	150 997
Finance costs - Finance leases	66 669	-
Impairment deficit	3 881 535	4 866 551
Debt impairment	91 115 024	93 731 410
Movements in retirement benefit assets and liabilities	(475 174)	2 389 590
Movements in provisions	(3 661 159)	(205 288)
Inventory losses or write-downs	-	(572 259)
Changes in working capital:		
Inventories	1 679 359	(2 508 614)
Receivables from exchange transactions	(77 148 612)	(81 049 075)
Receivables from non-exchange transactions	8 428 335	2 705 365
Payables from exchange transactions	(4 255 598)	40 412 540
VAT	(4 287 077)	(45 059 966)
Unspent conditional grants and receipts	24 000 429	(6 626 226)
Consumer deposits	21 167	26 754
	260 459 299	**277 114 735**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

45. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	16 522 617	16 522 617
Cash and cash equivalents	1 026 519 463	1 026 519 463
	1 043 042 080	**1 043 042 080**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	110 548 603	110 548 603
Consumer deposits	384 376	384 376
	110 932 979	**110 932 979**

2022

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	30 369 912	30 369 912
Cash and cash equivalents	988 403 101	988 403 101
	1 018 773 013	**1 018 773 013**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	114 804 195	114 804 195
Consumer deposits	363 209	363 209
	115 167 404	**115 167 404**

Receivables from non-exchange transactions and VAT have been removed from the disclosure as a financial instraument due to GRAP 104.03 which states that statutory receivables are excluded from financial instruments.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Commitments

Authorised capital expenditure

Approved and contracted		
• Community Assets	16 156 083	28 633 544
• Roads and Stormwater Infrastructure	103 625 163	86 087 120
• Solid Waste	4 714 078	4 714 078
	124 495 324	**119 434 742**

Total capital commitments		
Approved and contracted	124 495 324	119 434 742

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, grants from National Treasury, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 020 346	1 585 970
- in second to fifth year inclusive	2 965 482	2 839 285
	5 985 828	**4 425 255**

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (bid no:26/2021/2022A) for 42 High-end multifunction printers, effective from 1 June 2022. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (bid no:06/2022/2023) for 2(two) Sharp MX-m1204, Blank Cartridge multifunction printer, effective from 1 November 2022. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Thulamela Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote

Case	Progress	Applicant	Case No.	2023	2022
Bianca Logistics is seeking a relief for damages for failing to get registration documents in time after buying a Grader from the municipality	We have filed a discovery affidavit regarding documents discovered from the Department of Transport & Public works for the alleged tender	Bianca Logistics	529/16	427 000	300 000
Tshivhase Ungani Martha is suing the municipality for Loss of support as a result of the death of her husband who passed away after a tree fell on him.	The matter is waiting for a trial date	Tshivhase Ungani Martha	662/16	4 266 000	3 000 000
Hilda Mabaya is suing the municipality for personal injury. Plaintiff alleges that she visited the municipality for services, the chair in the municipal waiting area broke and she fell, as a result she was seriously injured.	The plaintiff has abandoned the summons	Hilda Mabaya	352/16	310 000	228 284
Mudau Tshimangadzo Noria is suing the municipality for damages alleging that her child was injured by the municipal pipes.	The applicants has submitted a proposal for settlement of the matter at R870 000 and we are still checking the proposal	Mudau Tshimangadzo Noria	534/2017	5 348 000	4 000 000
Plaintiff alleges that he was arrested by traffic officers and acquitted in court. He is suing the municipality for unlawful arrest and detention, injury to his dignity, loss of personal freedom and general damages.	The matter is waiting for a trial date	Shumani Moses	606/15	699 000	450 000
Matumba Elekanyani is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Matumba Elekenyani	117/2015	446 000	300 000
Nevondo Mukovhe is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Nevondo Mukovhe	439/2015	446 000	300 000
Applicant is suing the municipality in an amount of R200 000 regarding Makonde Stadium Project	We have issued a notice to oppose the summons and the matter is on replication stage	Mopicon Construction Pty Ltd	1087/2019 and 1074/2020	220 000	200 000
Applicant is suing the municipality for compensation for damages she incurred on her motor vehicle when hitting a pothole	Applicants submitted a settlement proposal and as such could not be processed as the Executive Committee rejected settlement proposal by the administration	PBN Mawila	762/2019	76 736	66 736

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47. Contingencies (continued)

				2023	2022
Applicant is suing the municipality an amount of R1 849 000 for the death of his son. Plaintiff alleges that the deceased was crossing a water filled trench using a wooden roof beam that has been placed across the open trench as a makeshift bridge when deceased lost her footing and fell into the water filled trench	The matter is postponed sine die	Masithi Awelani	831/2020	2 100 000	1 849 000
Applicant is suing the municipality for expropriation of land without compensation by the Venda Government	We have issued a notice to oppose the summons and the matter is on replication stage	Victor Gidimani Ramabulana	167/2020	6 996 000	200 000
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Sipho Lawrence	1461/2020	1 749 000	1 500 000
Applicant is suing the municipality for towing a grader and storage fees	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Bianca Towing	1499/2020	108 000	100 000
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Amos Maitakhole	469/2021	1 749 000	1 500 000
Plaintiff is suing the municipality for falling into a ditch/hole at Muledane area	We have issued a notice of intention to defend	Gomedzo Thomas	328/2021	113 000	100 000
Plaintiff is suing the municipality for defamation of character as a result of case 673/2020 Bianca Towing	We are now exchanging the pleadings	Tshifhiwa Cassius Lukoto	1500/2020	317 000	300 000
The applicant is suing the municipality an amount of R 5 000 000.00 for loss of residential site, financial loss, psychological stress, loss of business and contumelia	We have issued a notice to oppose the summons	Tshitereke Wilson Mufamadi	333/2022	113 000	100 000
Dorkus Neuky Manari is suing the municipality an amount of R850 000 for emotional stress due to the delay of transfer of site	We have filed an answering affidavit	Dorkus Neuky Manari	1366/2021	911 000	-
Madaba Joseph is suing the municipality an amount of R12 000 000 for expropriation of land without compensation	We have issued a notice to oppose the summons and the matter is on replication stage	Madaba Joseph	804/2023	200 000	-
Mathoho Musundwa is suing the municipality for an amount of R450 000 due to damages that were incurred by Lebaka Construction during construction of Extension E tarred Road.	We have opposed the summons	Mathoho Musundwa	2126/2022	482 000	-
Plaintiff is suing the municipality for failing to transfer the site at Tshilungoma into his names		Neduvhuledza Bethuel	945/2017	108 000	-
				27 184 736	**14 494 020**

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48. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management	MT Makumule - Municipal Manager AC Mufamadi - Chief Financial Officer ME Nemaname - Acting Chief Financial Officer SS Razwiedani - Senior Manager: Community Services MS Madi -Acting Senior Manager: Community services NA Todani - Senior Manager: Corporate Services A Gangashe - Senior Manager: Technical Services MT Makumule - Senior Manager: Planning & Development HA Nemadzhilili - Acting Senior Manager: Planning & Development

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

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

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management, councillor allowances of the councillors and councillors arrear accounts.

Refer to Note 33 for the disclosure of senior management remuneration.

Refer to Note 56 for the disclosure of councillor arrear accounts.

48. Related parties (continued)

Remuneration of management

Management class: Mayoral committee members

2023

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Rambuda AS - Executive Mayor	787 103	171	40 800	164 522	992 596
Cllr Mutheiwana FA - Speaker	632 279	1 127	40 800	125 084	799 290
Cllr Malada TP - Chief Whip	463 196	177 554	40 800	91 059	772 609
	1 882 578	**178 852**	**122 400**	**380 665**	**2 564 495**

2022

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Rambuda AS - Executive Mayor	468 756	2 865	26 273	90 560	588 454
Cllr Mulovhedzi HP - Former Executive Mayor	272 764	-	14 571	40 609	327 944
Cllr Tshifhango AS - Former Executive Mayor	103 910	-	14 571	15 695	134 176
Cllr Mutheiwana FA - Speaker	381 375	7 151	26 273	63 390	478 189
Cllr Rambuda AS - Former Speaker	218 771	2 833	14 571	32 617	268 792
Cllr Malada TP - Chief Whip	272 920	104 619	26 273	62 208	466 020
Cllr Mahosi NG - Former Chief Whip	156 079	59 675	14 571	26 165	256 490
	1 874 575	**177 143**	**137 103**	**331 244**	**2 520 065**

Management class: Councillors

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48. Related parties (continued)

2023

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Mutandanyi VV	1 976	464	-	30	2 470
Cllr Mbulaheni N	1 976	755	-	32	2 763
Cllr Mabuda MG	2 634	-	-	33	2 667
Cllr Nemadzivhanani FE	2 634	-	-	33	2 667
Cllr Shitiba TV	1 976	755	-	32	2 763
Cllr Makungo TG	-	-	1 286	13	1 299
Cllr Sengani MP	1 976	755	-	32	2 763
Cllr Maphaha NF	1 976	755	-	32	2 763
Cllr Ndou NF	1 976	755	-	32	2 763
Cllr Tuwani TT	1 976	755	-	32	2 763
Cllr Munyai HF	1 976	755	-	32	2 763
Cllr Mawelewele TM	1 976	755	-	32	2 763
Cllr Muditambi MM	1 976	755	-	32	2 763
Cllr Magatshavha SO	1 976	755	-	32	2 763
Cllr Singo L	1 976	755	-	32	2 763
Cllr Rasendedza AM	2 634	-	-	33	2 667
Cllr Netangaheni NP	-	-	1 286	13	1 299
Cllr Nemalegeni TJ	-	-	1 286	13	1 299
Cllr Tshishonge DE	1 976	755	-	32	2 763
Cllr Malaka MG	1 976	755	-	32	2 763
Cllr Rambuda AS	-	-	1 286	13	1 299
Cllr Tshigwili T	-	-	1 286	13	1 299
Cllr Munyai TT	-	-	1 286	13	1 299
Cllr Netshishivhe AA	-	-	1 286	13	1 299
Cllr Nelushi TA	-	-	1 286	13	1 299
Cllr Munyai NG	1 976	755	-	32	2 763
Cllr Mashawana NE	-	-	1 286	13	1 299
Cllr Tshililo G	1 976	755	-	32	2 763

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48. Related parties (continued)

Cllr Netshisaulu TE	2 612	999	-	41	3 652
Cllr Sadiki SC	1 976	755	-	32	2 763
Cllr Makatu AM	1 976	755	-	32	2 763
Cllr Matambela NP	1 976	755	-	32	2 763
Cllr Tshikalange NT	1 976	755	-	32	2 763
Cllr Nemugumoni T	1 976	755	-	32	2 763
Cllr Nelufhangani TL	-	-	1 286	13	1 299
Cllr Mawela PE	2 634	-	-	33	2 667
Cllr Nenzhelele N	1 976	755	-	32	2 763
Cllr Marole RT	1 976	755	-	13	2 744
Cllr Ramulongo MB	-	-	1 286	32	1 318
Cllr Nemudzivhadi AS	1 976	755	-	32	2 763
Cllr Madzivhandila M	1 976	755	-	13	2 744
Cllr Mphaphuli M	-	-	1 286	13	1 299
Cllr Munenyiwa ME	-	-	1 286	13	1 299
Cllr Maphiri TB	-	-	1 286	32	1 318
Cllr Padelane TS	-	-	1 286	13	1 299
Cllr Mulaudzi N	1 976	755	-	32	2 763
Cllr Lieba NA	-	-	1 286	13	1 299
Cllr Tshifhango AS	-	-	1 286	13	1 299
Cllr Mulaudzi NS	-	-	1 286	13	1 299
Cllr Mutheiwana FA	-	-	1 286	13	1 299
Cllr Ramashia MP	1 976	755	-	32	2 763
Cllr Maduse LS	-	-	1 286	13	1 299
Cllr Mathambo R	2 634	-	-	33	2 667
Cllr Netshifhefhe M	1 976	755	-	32	2 763
Cllr Davhana AJ	-	-	1 286	13	1 299
Cllr Madondo LM	-	-	1 286	13	1 299
Cllr Nemaranzhe K	-	-	1 286	13	1 299
Cllr Kwinda SC	-	-	1 286	13	1 299
Cllr Magoda TP	1 976	755	-	32	2 763
Cllr Mundalamo M	2 634	-	-	33	2 667
Cllr Muedi ET	-	-	1 286	13	1 299
Cllr Malindi OT	-	-	1 286	13	1 299
Cllr Mahosi NG	-	-	1 286	13	1 299
Cllr Mulovhedzi HP	-	-	1 286	13	1 299

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48. Related parties (continued)

Cllr Malada TP	-	-	1 286	13	1 299
Cllr Madzunya E	1 976	755	-	32	2 763
Cllr Ramulifho HB	-	-	1 286	13	1 299
Cllr Gundula TJ	2 634	-	-	33	2 667
Cllr Mandiwana NE	2 534	789	-	38	3 361
Cllr Phalanndwa NR	2 536	969	-	40	3 545
Cllr Mamushiana TD	2 536	969	-	40	3 545
Cllr Tharaga MD	2 634	-	-	33	2 667
Cllr Netshipise LH	1 976	538	-	30	2 544
Cllr Ramaano LP	3 379	-	-	40	3 419
Cllr Mulaudzi KE	-	-	1 286	13	1 299
Cllr Ligaraba LE	-	-	1 286	13	1 299
Cllr Mashatini MH	1 976	755	-	32	2 763
Cllr Netshifhefhe KJ	1 976	755	-	26	2 757
Cllr Ligaraba MJ	-	-	1 286	13	1 299
Cllr Zhalagome MG	1 976	755	-	32	2 763
Cllr Kwinda MR	-	-	1 286	13	1 299
Cllr Nelufhangan TL	260 739	-	39 514	40 492	340 745
Cllr Vhulahani L	258 105	-	40 800	41 234	340 139
Cllr Nekhavhambe TS	194 459	73 193	40 800	37 406	345 858
Cllr Nehzhelele N	193 579	74 205	40 800	31 742	340 326
Cllr Mbengeni R	193 998	73 723	40 800	37 126	345 647
Cllr Lalumbe RG	330 760	-	40 800	60 947	432 507
Cllr Matshomo TT	258 105	-	40 800	41 688	340 593
Cllr Phalanndwa NB	194 152	73 546	40 800	34 660	343 158
Cllr Matshavha M	194 152	73 546	40 800	35 904	344 402
Cllr Nemasiwana FJ	258 105	-	40 800	40 472	339 377
Cllr Netshishivhe AA	272 431	70 108	39 514	43 335	425 388
Cllr Ravhuanzwo SL	193 998	73 723	40 800	31 717	340 238
Cllr Mabasa HP	258 105	-	40 800	40 864	339 769
Cllr Netsianda MJ	194 767	72 839	40 800	31 004	339 410
Cllr Mukhathi H	258 105	-	40 800	40 472	339 377
Cllr Mathoma RR	258 105	-	40 800	40 472	339 377
Cllr Mathidi P	258 105	-	40 800	43 501	342 406
Cllr Nelushi TA	195 554	74 961	39 514	41 410	351 439
Cllr Mutheiwana FA	632 279	1 127	39 514	125 071	797 991

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48. Related parties (continued)

Cllr Tshigwili T	209 574	80 334	39 514	34 121	363 543
Cllr Liphadzi TS	258 105	-	40 800	46 295	345 200
Cllr Thanyani RD	249 081	93 931	40 800	41 551	425 363
Cllr Mphaphuli M	333 395	-	39 514	52 504	425 413
Cllr Mulaudzi ER	258 105	-	40 800	40 472	339 377
Cllr Netangaheni NP	195 554	74 961	39 514	31 023	341 052
Cllr Maela RT	194 459	73 193	40 800	31 973	340 425
Cllr Madzivhandila M	250 606	96 063	39 514	41 742	427 925
Cllr Netshikweta R	248 884	94 158	40 800	42 330	426 172
Cllr Ravhura ME	194 152	73 546	40 800	31 004	339 502
Cllr Munyai TT	195 554	74 961	39 514	36 014	346 043
Cllr Mmbi NM	258 105	-	40 800	41 688	340 593
Cllr Maduse LS	260 509	99 857	39 514	82 337	482 217
Cllr Mulaudzi MM	194 459	73 193	40 800	33 708	342 160
Cllr Muligwe M	258 105	-	40 800	41 688	340 593
Cllr Molaudzi NA	258 105	-	40 800	40 472	339 377
Cllr Makungo TG	195 554	74 961	39 514	39 297	349 326
Cllr Nemalegeni TJ	195 554	74 961	39 514	32 635	342 664
Cllr Maganu AE	258 105	-	40 800	40 472	339 377
Cllr Khangale AC	330 760	-	40 800	53 280	424 840
Cllr Munzhedzi TE	258 105	-	40 800	40 472	339 377
Cllr Ligaraba MJ	195 558	74 961	39 514	31 023	341 056
Cllr Ligaraba LE	261 319	68 452	39 514	80 670	449 955
Cllr Mulaudzi KE	260 509	99 857	39 514	104 247	504 127
Cllr Mulaudzi NS	198 261	75 995	39 514	31 058	344 828
Cllr Malada TP	463 196	177 554	39 514	91 046	771 310
Cllr Mulovhedzi HP	266 288	-	39 514	40 547	346 349
Cllr Mahosi NG	198 261	75 995	39 514	31 058	344 828
Cllr Tshifhango AS	261 222	-	39 514	40 496	341 232
Cllr Shavhani ME	459 718	143 655	40 800	158 943	803 116
Cllr Lieba NA	461 049	155 328	39 514	135 707	791 598
Cllr Nekhunguni AE	258 105	-	40 800	40 472	339 377
Cllr Munenyiwa ME	272 431	70 108	39 514	43 516	425 569
Cllr Davhana AJ	195 554	74 961	39 514	31 327	341 356
Cllr Radamba NC	330 760	-	40 800	51 876	423 436
Cllr Muedi ET	196 114	75 175	39 514	31 030	341 833

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48. Related parties (continued)

Cllr Dali TS	258 105	-	40 800	40 472	339 377
Cllr Nemaranzhe K	195 554	74 961	39 514	31 479	341 508
Cllr Lavhengwa L	131 121	48 913	27 200	20 691	227 925
Cllr Phosha LS	258 105	-	40 800	40 472	339 377
Cllr Rambuda AS	787 103	171	39 514	164 509	991 297
Cllr Kwinda SC	460 489	168 587	39 514	143 186	811 776
Cllr Malindi TO	449 422	172 274	39 514	96 487	757 697
Cllr Madumi MA	258 105	-	40 800	40 472	339 377
Cllr Mulovhedzi MK	256 751	97 003	40 800	63 964	458 518
Cllr Madondo LM	395 921	132 951	39 514	120 119	688 505
Cllr Ligege VP	255 938	97 938	40 800	101 900	496 576
Cllr Phosiwa L	194 152	73 546	40 800	31 004	339 502
Cllr Maphiri ME	258 105	-	40 800	40 472	339 377
Cllr Begwa FM	194 459	73 193	40 800	34 974	343 426
Cllr Mphaho TW	194 459	73 193	40 800	31 004	339 456
Cllr Marole RT	240 062	755	39 514	67 154	347 485
Cllr Kwinda MR	197 173	74 077	39 514	31 032	341 796
Cllr Mashawana NE	257 802	98 822	39 514	47 893	444 031
Cllr Bongwe K	258 105	-	40 800	41 090	339 995
Cllr Madzimbalala HE	194 152	73 546	40 800	31 004	339 502
Cllr Tshisikule K	258 105	-	40 800	40 472	339 377
Cllr Razwinzhi IE	258 105	-	40 800	40 472	339 377
Cllr Tshikhuwana LR	247 548	14 261	40 800	39 165	341 774
Cllr Ramulifho HB	195 554	73 594	39 514	37 213	345 875
Cllr Padelani TS	260 081	-	39 514	40 491	340 086
Cllr Badamarema M	255 198	-	40 800	40 436	336 434
	21 462 305	**4 113 804**	**3 291 200**	**4 117 221**	**32 984 530**

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Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total

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48. Related parties (continued)

Cllr Mutandanyi VV	65 858	15 474	14 571	21 497	117 400
Cllr Mbulaheni N	65 858	25 180	14 571	10 080	115 689
Cllr Mabuda MG	87 810	-	14 571	13 142	115 523
Cllr Nemadzivhanani FE	87 810	-	14 571	13 281	115 662
Cllr Shitivha TV	65 858	25 180	14 571	10 080	115 689
Cllr Makungo TG	65 858	25 180	14 571	10 080	115 689
Cllr Sengani MP	65 858	25 180	14 571	10 080	115 689
Cllr Maphaha NF	65 858	25 180	14 571	10 906	116 515
Cllr Ndou NF	65 858	25 180	14 571	10 219	115 828
Cllr Tuwani TT	65 858	25 180	14 571	11 538	117 147
Cllr Munyai HF	65 858	25 180	14 571	10 080	115 689
Cllr Mawelewele TM	65 858	25 180	14 571	10 080	115 689
Cllr Muditambi MM	65 858	25 180	14 571	10 080	115 689
Cllr Magatshavha SO	65 858	25 180	14 571	10 080	115 689
Cllr Singo L	65 858	25 180	14 571	10 080	115 689
Cllr Rasendedza AM	87 810	-	14 571	13 142	115 523
Cllr Netangaheni NP	65 858	25 180	14 571	10 080	115 689
Cllr Nemalegeni TJ	65 858	25 180	14 571	10 080	115 689
Cllr Tshishonge DE	65 858	25 180	14 571	10 080	115 689
Cllr Malaka MG	65 858	25 180	14 571	10 080	115 689
Cllr Rambuda AS	218 771	2 833	14 571	32 617	268 792
Cllr Tshigwili T	84 518	32 314	14 571	12 908	144 311
Cllr Munyai TT	65 858	25 180	14 571	10 219	115 828
Cllr Netshishivhe AA	87 810	-	14 571	13 142	115 523
Cllr Nelushi TA	65 858	25 180	14 571	10 080	115 689
Cllr Munyai NG	65 858	25 180	14 571	10 080	115 689
Cllr Mashawana NE	65 858	25 180	14 571	10 080	115 689
Cllr Tshililo G	65 858	25 180	14 571	10 080	115 689
Cllr Netshisaulu TE	87 072	33 291	14 571	14 281	149 215
Cllr Sadiki SC	65 858	25 180	14 571	10 080	115 689
Cllr Makatu AM	65 858	25 180	14 571	10 080	115 689
Cllr Matambela NP	65 858	25 180	14 571	10 080	115 689
Cllr Tshikalange NT	65 858	25 180	14 571	11 387	116 996
Cllr Nemugumoni T	65 858	25 180	14 571	10 080	115 689
Cllr Nelufhangani TL	87 810	-	14 571	13 142	115 523
Cllr Mawela PE	87 810	-	14 571	13 142	115 523

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48. Related parties (continued)

Cllr Nenzhelele N	65 858	25 180	14 571	10 080	115 689
Cllr Marole RT	65 858	25 180	14 571	11 547	117 156
Cllr Ramulongo MB	65 858	25 180	14 571	10 080	115 689
Cllr Nemudzivhadi AS	65 858	25 180	14 571	10 080	115 689
Cllr Madzivhandila M	84 518	32 314	14 571	12 908	144 311
Cllr Mphaphuli M	87 810	-	14 571	13 142	115 523
Cllr Munenyiwa ME	87 810	-	14 571	13 142	115 523
Cllr Maphiri TB	65 858	25 180	14 571	10 080	115 689
Cllr Padelane TS	65 858	25 180	14 571	10 080	115 689
Cllr Mulaudzi N	65 858	25 180	14 571	10 080	115 689
Cllr Lieba NA	84 518	32 314	14 571	12 908	144 311
Cllr Tshifhango AS	103 910	-	14 571	15 695	134 176
Cllr Mulaudzi NS	156 079	59 675	14 571	27 111	257 436
Cllr Mutheiwana FA	87 072	33 291	14 571	13 298	148 232
Cllr Ramashia MP	65 858	25 180	14 571	10 080	115 689
Cllr Maduse LS	156 079	59 675	14 571	27 315	257 640
Cllr Mathambo R	87 810	-	14 571	13 142	115 523
Cllr Netshifhefhe M	65 858	25 180	14 571	10 080	115 689
Cllr Davhana AJ	65 858	25 180	14 571	10 080	115 689
Cllr Madondo LM	84 518	32 314	14 571	12 908	144 311
Cllr Nemaranzhe K	65 858	25 180	14 571	10 080	115 689
Cllr Kwinda SC	65 858	25 180	14 571	10 080	115 689
Cllr Magoda TP	65 858	25 180	14 571	10 219	115 828
Cllr Mundalamo M	87 810	-	14 571	13 142	115 523
Cllr Muedi ET	84 518	32 314	14 571	12 908	144 311
Cllr Malindi OT	151 501	57 924	14 571	23 081	247 077
Cllr Mahosi NG	156 079	59 675	14 571	26 165	256 490
Cllr Mulovhedzi HP	272 764	-	14 571	40 609	327 944
Cllr Malada TP	156 079	59 675	14 571	27 048	257 373
Cllr Madzunya E	65 858	25 180	14 571	10 080	115 689
Cllr Ramulifho HB	65 858	25 180	14 571	11 383	116 992
Cllr Gundula TJ	87 810	-	14 571	13 142	115 523
Cllr Mandiwana NE	84 469	26 314	14 571	18 922	144 276
Cllr Phalanndwa NR	84 518	32 314	14 571	12 908	144 311
Cllr Mamushiana TD	84 518	32 314	14 571	12 908	144 311
Cllr Tharaga MD	87 810	-	14 571	13 281	115 662

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48. Related parties (continued)

Cllr Netshipise LH	65 858	17 927	14 571	17 348	115 704
Cllr Ramaano LP	112 617	-	14 571	16 838	144 026
Cllr Mulaudzi KE	156 079	59 675	14 571	25 895	256 220
Cllr Ligaraba LE	87 072	23 633	14 571	22 975	148 251
Cllr Mashatini MH	65 858	25 180	14 571	10 080	115 689
Cllr Netshifhefhe KJ	65 858	25 180	14 571	10 153	115 762
Cllr Ligaraba MJ	65 980	25 180	14 571	10 154	115 885
Cllr Zhalagome MG	65 858	25 180	14 571	10 080	115 689
Cllr Kwinda MR	116 096	-	14 571	17 349	148 016
Cllr Nelufhangan TL	158 392	-	26 273	25 267	209 932
Cllr Vhulahani L	158 392	-	26 273	25 267	209 932
Cllr Nekhavhambe TS	148 143	11 786	26 273	28 201	214 403
Cllr Nehzhelele N	118 794	45 538	26 273	19 354	209 959
Cllr Mbengeni R	132 770	29 466	26 273	25 764	214 273
Cllr Lalumbe RG	187 431	-	26 273	34 282	247 986
Cllr Matshomo TT	158 392	-	26 273	26 240	210 905
Cllr Phalanndwa NB	137 894	23 573	26 273	22 207	209 947
Cllr Matshavha M	137 894	23 573	26 273	22 812	210 552
Cllr Nemasiwana FJ	158 392	-	26 273	25 267	209 932
Cllr Netshishivhe AA	187 431	-	26 273	30 146	243 850
Cllr Ravhuanzwo SL	132 770	29 466	26 273	21 442	209 951
Cllr Mabasa HP	158 392	-	26 273	25 267	209 932
Cllr Netsianda MJ	158 392	-	26 273	25 267	209 932
Cllr Mukhathi H	158 392	-	26 273	25 267	209 932
Cllr Mathoma RR	158 392	-	26 273	25 267	209 932
Cllr Mathidi P	158 392	-	26 273	25 267	209 932
Cllr Nelushi TA	118 794	45 538	26 273	25 651	216 256
Cllr Mutheiwana FA	381 375	7 151	26 273	63 390	478 189
Cllr Tshigwili T	118 794	45 538	26 273	19 354	209 959
Cllr Liphadzi TS	158 392	-	26 273	29 499	214 164
Cllr Thanyani RD	174 278	15 126	26 273	34 296	249 973
Cllr Mphaphuli M	187 431	-	26 273	30 146	243 850
Cllr Mulaudzi ER	158 392	-	26 273	25 267	209 932
Cllr Netangaheni NP	118 794	45 538	26 273	19 354	209 959
Cllr Maela RT	148 143	11 786	26 273	23 737	209 939
Cllr Madzivhandila M	140 573	53 886	26 273	27 696	248 428

48. Related parties (continued)

Cllr Netshikweta R	167 702	22 689	26 273	30 579	247 243
Cllr Ravhura ME	137 894	23 573	26 273	24 156	211 896
Cllr Munyai TT	118 794	45 538	26 273	22 398	213 003
Cllr Mmbi NM	158 392	-	26 273	26 240	210 905
Cllr Maduse LS	155 034	59 430	26 273	36 357	277 094
Cllr Mulaudzi MM	148 143	11 786	26 273	26 609	212 811
Cllr Muligwe M	158 392	-	26 273	26 240	210 905
Cllr Molaudzi NA	158 392	-	26 273	25 267	209 932
Cllr Makungo TG	118 794	45 538	26 273	20 889	211 494
Cllr Nemalegeni TJ	118 794	45 538	26 273	19 354	209 959
Cllr Maganu AE	158 392	-	26 273	25 267	209 932
Cllr Khangale AC	187 431	-	26 273	30 146	243 850
Cllr Munzhedzi TE	158 392	-	26 273	25 267	209 932
Cllr Ligaraba MJ	118 794	45 538	26 273	19 354	209 959
Cllr Ligaraba LE	118 794	25 719	26 273	39 213	209 999
Cllr Mulaudzi KE	155 034	59 430	26 273	57 679	298 416
Cllr Mulaudzi NS	118 794	45 538	26 273	25 671	216 276
Cllr Malada TP	272 920	104 619	26 273	62 208	466 020
Cllr Mulovhedzi HP	158 392	-	26 273	25 267	209 932
Cllr Mahosi NG	118 794	45 538	26 273	21 457	212 062
Cllr Tshifhango AS	158 392	-	26 273	25 267	209 932
Cllr Shavhani ME	315 315	45 999	26 273	76 779	464 366
Cllr Lieba NA	272 920	98 406	26 273	68 393	465 992
Cllr Nekhunguni AE	158 392	-	26 273	25 267	209 932
Cllr Munenyiwa ME	187 431	-	26 273	30 285	243 989
Cllr Davhana AJ	118 794	45 538	26 273	19 354	209 959
Cllr Radamba NC	187 431	-	26 273	29 868	243 572
Cllr Muedi ET	118 794	45 538	26 273	19 354	209 959
Cllr Dali TS	158 392	-	26 273	25 267	209 932
Cllr Nemaranzhe K	118 794	45 538	26 273	19 771	210 376
Cllr Lavhengwa L	148 143	11 786	26 273	24 480	210 682
Cllr Phosha LS	158 392	-	26 273	25 267	209 932
Cllr Rambuda AS	468 756	2 865	26 273	90 560	588 454
Cllr Kwinda SC	272 920	104 619	26 273	60 778	464 590
Cllr Malindi TO	265 099	101 621	26 273	49 315	442 308
Cllr Madumi MA	158 392	-	26 273	25 267	209 932

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48. Related parties (continued)

Cllr Mulovhedzi MK	186 387	25 943	26 273	36 754	275 357
Cllr Madondo LM	272 920	91 380	26 273	81 922	472 495
Cllr Ligege VP	159 286	54 540	26 273	46 060	286 159
Cllr Phosiwa L	139 470	23 573	26 273	22 207	211 523
Cllr Maphiri ME	158 392	-	26 273	25 267	209 932
Cllr Begwa FM	148 143	11 786	26 273	28 527	214 729
Cllr Mphaho TW	148 143	11 786	26 273	23 737	209 939
Cllr Marole RT	158 392	-	26 273	30 117	214 782
Cllr Kwinda MR	122 521	41 252	26 273	19 912	209 958
Cllr Mashawana NE	153 459	59 430	26 273	27 887	267 049
Cllr Bongwe K	158 392	-	26 273	25 267	209 932
Cllr Madzimbalala HE	137 894	23 573	26 273	22 207	209 947
Cllr Tshisikule K	158 392	-	26 273	25 267	209 932
Cllr Razwinzhi IE	158 392	-	26 273	25 267	209 932
Cllr Tshikhuwana LR	158 392	-	26 273	25 267	209 932
Cllr Ramulifho HB	118 794	45 538	26 273	23 970	214 575
Cllr Padelani TS	158 392	-	26 273	25 267	209 932
Cllr Badamarema M	61 493	-	10 200	9 809	81 502
	20 185 833	**3 727 510**	**3 292 291**	**3 557 482**	**30 763 116**

Refer to note 34 "Remuneration of councillors"

49. 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:

49. Prior-year adjustments (continued)

47.1 During the current, it was identified that in the prior year a motor vehicle was erroneously submitted to council for write off in error

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Property Plant and Equipment: Motor Vehicles (Cost) - (Increase)/Decrease	1 417 002.00
Property Plant and Equipment: Motor Vehicles (Accumulated depreciation - (Increase)/Decrease	(414 628.20)
Statement of financial performance	
Gain/loss on disposal of assets and liabilities - Increase/(Decrease)	(1 002 373.80)

47.2 During the current year, it was noted that a mall was built on land that was sold to a customer in the prior years and a replacement site was requested

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Accumulated surplus - Increase/(Decrease)	30 000
Statement of financial position	
Inventory: Land - Increase/(Decrease)	(30 000)

47.3 During the current year, it was noted that land inventory was erroneously derecognised in error in the prior year

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Inventory: Land - (Increase)/Decrease	280 000
Statement of financial performance	
General expenses:Cost of site sold - Increase/(Decrease)	(280 000)

47.4 During the current year, it was noted that a property that was previously sold to Emerald Pearl Investment in 2018 was refunded to the customer as the ownership could not be transaferred.

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Accumulated surplus - Increase/(Decrease)	1 059 172
Statement of financial position	
Payables from exchange transactions - Increase/(Decrease)	(1 059 172)

47.5 During the current year, it was noted that Roads and Stormwater - WIP was erroneously disclosed under Community Assets - WIP

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Roads and Stormwater - WIP - (Increase)/Decrease	12 750
Statement of financial position	
Community Assets - WIP - Increase/(Decrease)	(12 750)

Notes to the Annual Financial Statements

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49. Prior-year adjustments (continued)

47.6 During the current year Skill development levy refund have been reclassified from revenue from exchange transactions to Revenue from non-exchange transactions

The financial impact of the error was determined to be as follows:

Statement of financial performance	2022
Revenue from exchange transactions: Other Income - Increase/(Decrease)	1 186 322.66

Statement of financial performance	
Revenue from non-exchange transactions: Skills development levy refund - (Increase)/Decrease	(1 186 322.66)

47.7 During the year there was a communication from the ASB which clarified the accounting disclosures of the VAT amounts, the guideline resulted in the previously combined VAT amount requiring to be disclosed separately between VAT input accrual, VAT output accrual and VAR receivable from SARS

The financial impact of the error was determined to be as follows:

Statement of financial position	2022
Receivables from exchange transactions - (Increase)/Decrease	11 442 676.94
Payables from exchange transactions - (Increase)/Decrease	(17 439 275.16)
VAT receivables - (Increase)/Decrease	5 996 598.22

47.8 During the yearit was noted that invoices relating to water utilities were erroneously ommitted from the accounting records.

The financial impact of the error was determined to be as follows:

Statement of financial performance	2022
General expenses:Utilities - (Increase)/Decrease	3 574.98

Statement of financial Position	
Accumulated surplus - Increase/(Decrease)	23 111.13
Payables from exchange transactions - (Increase)/Decrease	(26 686.11)

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		29 771 788	250 000	-	30 021 788
Property, plant and equipment		1 722 076 388	1 002 374	-	1 723 078 762
Roads and Stormwater - WIP		220 876 909	-	12 750	220 889 659
Community Assets - WIP		84 369 536	-	(12 750)	84 356 786
Payables from exchange transactions		(96 279 059)	(1 085 858)	(17 439 275)	(114 804 192)
Accumulated Surplus		(2 427 139 343)	1 112 283	-	(2 426 027 060)
Receivables from exchange transactions		18 927 235	-	11 442 677	30 369 912
VAT receivables		5 881 666	-	5 996 598	11 878 264
		(441 514 880)	**1 278 799**	**-**	**(440 236 081)**

Statement of financial performance

49. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Loss on disposal of assets and liabilities - Asset write off		7 142 644	(1 002 374)	-	6 140 270
General expenditure		77 849 817	(276 425)	-	77 573 392
Revenue from exchange transactions: Other Income		(4 678 328)	-	1 186 323	(3 492 005)
Revenue from non-exchange transactions: Skills development levy refund		-	-	(1 186 323)	(1 186 323)
Surplus for the year		**80 314 133**	**(1 278 799)**	**-**	**79 035 334**

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Inventories		(2 258 617)	(250 000)	(2 508 617)
Prior year adjustment		-	1 112 283	1 112 283
Surplus		(182 894 313)	(1 278 799)	(184 173 112)
Gain on sale of assets and liabilities		7 142 644	(1 002 374)	6 140 270
Payables from exchange transactions		22 999 690	18 525 133	41 524 823
Receivables from exchange transactions		(69 606 398)	(11 442 677)	(81 049 075)
VAT		(39 063 368)	(5 996 598)	(45 059 966)
		(263 680 362)	**(333 032)**	**(264 013 394)**

50. Comparative figures

Certain comparative figures have been reclassified.

51. Risk management

Financial risk management

Liquidity risk

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

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	110 548 603	-	-	-
Consumer deposits	384 376	-	-	-

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	114 804 195	-	-	-
Consumer deposits	363 209	-	-	-

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51. Risk management (continued)

Credit risk

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

Included in the main primary bank account is a guarantee/security of R850,000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the Bank.

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

Financial instrument	2023	2022
FNB Money Market Investments	55 764 276	1 655 574
FNB Current Account	483 399 825	395 611 850
FNB Call Account	487 355 362	591 135 679
Receivables from exchange transactions	16 522 617	30 369 912

The municipality is exposed to a number of guarantees and for guarantees issued in favour of the Post Office. Refer to note 9 for additional details.

Trade and other receivables for government department are not impaired.

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. At year end (June 2023), the financial instruments exposed to interest rate risk were as follows:

Financial instrument	2023	2022
FNB Money Market Investments	55 764 276	1 655 574
FNB Current Account	483 399 825	395 611 850
FNB Call Account	487 355 362	591 135 679

52. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 2 737 560 869 and that the municipality's total assets exceed its liabilities by R 2 737 560 869.

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.

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

53. Events after the reporting date

Management is not aware of any event after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period which requires an adjustment or disclosure to the annual financial statements.

Notes to the Annual Financial Statements

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54. Fruitless and wasteful expenditure

Opening balance as previously reported	1 175 055	2 084 976
Correction of prior period error	(83 626)	(826 186)
Add: Fruitless and wasteful expenditure identified - current	2 960 411	366 893
Less: Amount recovered - current	-	(81 735)
Less: Amount written off - current	(685 817)	(368 893)
Closing balance	**3 366 023**	**1 175 055**

Fruitless and wasteful expenditure is presented inclusive of VAT.

55. Irregular expenditure

Opening balance as previously reported	837 730	289 909
Add: Irregular expenditure - current	9 747 289	1 508 307
Add: Irregular expenditure - prior period	25 445 981	-
Less: Amount written off - current	(1 740 762)	(960 486)
Closing balance	**34 290 238**	**837 730**

Irregular expenditure is presented inclusive of VAT.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 670 628	3 445 927
Amount paid - current year	(3 670 628)	(3 445 927)
	-	-

Material losses through criminal conduct

There were no losses suffered through financial misconduct during the current financial year.

Audit fees

Current year subscription / fee	5 094 075	4 134 084
Amount paid - current year	(5 094 075)	(4 134 084)
	-	-

PAYE and UIF

Current year subscription / fee	55 024 910	51 608 408
Amount paid - current year	(55 024 910)	(51 608 408)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Pension and Medical Aid Deductions

Current year subscription / fee	79 533 911	73 638 894
Amount paid - current year	(79 533 911)	(73 638 894)
	-	-

Defined contribution plan

Municipal Gratuity Fund	13 579 754	13 007 473
Momentum provident Funds	2 386 325	2 358 057
National Fund for Municipal workers	16 880 881	15 106 756
Municipal Employees pension fund	6 301 316	6 363 419
Municipal Councillors pension fund	3 129 846	2 950 470
	42 278 122	**39 786 175**

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year. The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed above.

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
Cllr Ligaraba MJ	389	-	389
Cllr Ligaraba LE	303	-	303
Cllr Dali TS	838	-	838
Cllr Malindi OT	4 794	-	4 794
Cllr Madondo LM	24	-	24
Cllr Mulaudzi MH	276	-	276
	6 624	**-**	**6 624**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Madondo L	11	715	726
Cllr Ligaraba LE	942	2 506	3 448
Cllr Badamarema M	-	183	183
Cllr Madondo LM	305	4 848	5 153
Cllr Mulaudzi MH	882	692	1 574
Cllr Nekhavhambe T	370	2 010	2 380
	2 510	**10 954**	**13 464**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Supply chain management regulations

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

Incident		
Repairs and maintenance	4 277 224	3 957 681
Training	863 221	837 730
Accommodation	1 257 360	693 245
Upgrading of road infrastructure	27 999 999	-
Membership fees	285 261	-
Screening services	75 268	-
	34 758 333	**5 488 656**

Awards to close family members

Municipal Supply Chain Management Regulations 45(a), (b) & (c) of Government Gazette No.27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including—

(a) the name of that person;
(b) the capacity in which that person is in the service of the state; and
(c) the amount of the award

Bidder and Name of state employee	Capacity	Amount
Gerson Matamela Holdings - R L Tshibalanganda – Spouse of director	Department of Health	9 206 011
ADY EM – Technical – R W Moekwa – Spouse of director	Eskom	10 115 446
Arehone Supply and Catering – Tshisikule Khakhathi – (Part-time councilor)	Part time councilor – Award of catering was made to spouse (Mphanama Naledzani) who is a director of Arehone Supply and Catering	6 068
		19 327 525

57. Accounting by principals and agents

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

Figures in Rand	2023	2022

57. Accounting by principals and agents (continued)

Details of the arrangment is as follows:

Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial departments entered into a contractual arrangement with the Thulamela local municipality to undertake this activity on their behalf. In terms of the arrangement:

- The provinicial department of transport issues the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The provinicial department provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities are required to pay over any revenue (cash) collected to the provincial government in respect of motor vehicle licenses.
- The municipalities are entitled to retain 20% and 3% of the cash collected for undertaking this activity for the provincial Department of Transport and AARTO respectively.

No significant risks exist other than risks associated with cash management. The application controls designed within the IT system are adequate to correctly account for such revenues.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R10 464 321 (2022: R9 417 738).

Additional information

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

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

Revenue received or to be received on behalf of the principal	25 420 479	22 352 305

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Expenses incurred on behalf of the principal	25 420 479	22 352 305
Amounts transferred to the principal	(25 420 479)	(22 352 305)
	-	-

All categories		
Expenses incurred on behalf of the principal	25 420 479	22 352 305
Amounts transferred to the principal	(25 420 479)	(22 352 305)
	-	-

58. Segment information

General information

Identification of segments

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

The four key business units comprise of:

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

Aggregated segments

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

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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Revenue					
Sale of goods	-	5 187 057	122 498	-	5 309 555
Service charges	-	-	-	27 517 488	27 517 488
Rendering of services	343 269	2 417 162	62 456	3 021	2 825 908
Rental of facilities and equipment	1 602 092	990 572	-	-	2 592 664
Interest received from exchange receivables	-	137 914	-	10 162 739	10 300 653
Agency services	-	10 464 321	-	-	10 464 321
Licences and permits	664 069	120 704	-	-	784 773
Commissions received	-	-	14 919	-	14 919
Other income	2 194	483 997	4 235 938	943 511	5 665 640
Interest received - investment	-	-	61 239 715	-	61 239 715
Property rates	-	-	94 454 843	-	94 454 843
Interest received from non-exchange receivables	-	-	16 497 571	-	16 497 571
Public contributions and donations	17 000	-	9 800	-	26 800
Government grants & subsidies	-	141 026 000	575 818 571	-	716 844 571
Fines, Penalties and Forfeits	-	7 113 905	-	-	7 113 905
Skills development fund refund	-	-	661 223	-	661 223
Actuarial gains/losses	-	-	1 784 174	-	1 784 174
Total segment revenue	**2 628 624**	**167 941 632**	**754 901 708**	**38 626 759**	**964 098 723**
Entity's revenue					**964 098 723**

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58. Segment information (continued)

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Expenditure					
Employee related costs	29 848 167	144 994 930	95 286 162	55 480 061	325 609 320
Remuneration of councillors	-	-	31 787 004	-	31 787 004
Depreciation and amortisation	11 953 519	47 783 173	3 639 235	3 349 304	66 725 231
Impairments loss	698 123	3 183 412	-	-	3 881 535
Finance costs	-	-	66 669	3 074 135	3 140 804
Lease rentals on operating lease	-	-	4 447 659	-	4 447 659
Debt Impairment	-	-	68 392 716	22 722 308	91 115 024
Contracted services	14 261 212	108 781 386	64 080 818	166 528	187 289 944
Transfers and Subsidies	1 146 019	-	1 620 259	-	2 766 278
Loss on disposal of assets and liabilities	3 469 614	3 520 354	721 031	4 779	7 715 778
Loss on transfer of assets	19 292 711	-	-	-	19 292 711
General Expenses	18 492 012	31 534 398	41 741 089	1 199 255	92 966 754
Total segment expenditure	**99 161 377**	**339 797 653**	**311 782 642**	**85 996 370**	**836 738 042**
Total segmental surplus/(deficit)					**127 360 681**
Assets					
Property, plant and equipment	(1 649 302 304)	1 425 984 858	1 990 894 200	80 370 371	1 847 947 125
Intangible assets	-	1 562 154	(725 084)	-	837 070
Inventories	(8 267 572)	(14 402 855)	62 217 914	(11 205 056)	28 342 431
Receivables from non-exchange transactions	-	4 841 330	657 143	5 299 988	10 798 461
Receivables from exchange transactions	51 204 793	171 683 192	(117 267 703)	(89 216 781)	16 403 501
Cash and cash equivalents	(415 478 811)	(293 942 517)	1 713 259 283	22 681 505	1 026 519 460
VAT receivable	-	-	16 165 341	-	16 165 341
Total segment assets	**(2 021 843 894)**	**1 295 726 162**	**3 665 201 094**	**7 930 027**	**2 947 013 389**
Total assets as per Statement of financial Position					**2 947 013 389**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Liabilities					
Employee benefit obligation	-	-	(16 682 879)	-	(16 682 879)
Provisions	-	-	(26 681 239)	(26 596 763)	(53 278 002)
Payables from exchange transactions	(8 592 074)	(14 421 006)	(81 242 528)	(6 292 994)	(110 548 602)
Consumer deposits	-	-	(384 376)	-	(384 376)
Unspent conditional grants and receipts	-	(28 000 000)	(13 382)	-	(28 013 382)
Finance lease	-	-	(545 283)	-	(545 283)
Total segment liabilities	**(8 592 074)**	**(42 421 006)**	**(125 549 687)**	**(32 889 757)**	**(209 452 524)**
Total liabilities as per Statement of financial Position					**(209 452 524)**

	Community and public safety	**Economic and environmental services**	**Governance and administration**	**Trading services**
Other information				
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	52 603 727	148 099 753	12 254 224	12 872 884

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

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Figures in Rand

58. Segment information (continued)

2022

Revenue	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Sale of goods	-	6 559 039	197 997	-	6 757 036
Service charges	8 696	-	-	25 986 954	25 995 650
Rendering of services	432 218	2 222 833	52 586	2 877	2 710 514
Rental of facilities and equipment	1 370 851	1 920 119	-	-	3 290 970
Interest received from exchange receivables	-	1 788 265	-	19 386 918	21 175 183
Agency services	-	9 417 738	-	-	9 417 738
Licences and permits	375 916	70 317	-	-	446 233
Commissions received	-	-	16 142	-	16 142
Other income	-	241 511	2 265 978	984 517	3 492 006
Interest received - investment	-	-	27 838 728	-	27 838 728
Property rates	-	-	90 940 362	-	90 940 362
Interest received from non-exchange receivables	-	-	14 823 164	-	14 823 164
Government grants & subsidies	-	122 743 000	529 418 226	-	652 161 226
Fines, Penalties and Forfeits	-	9 129 024	-	-	9 129 024
Skills development levy refund	-	116 160	1 070 163	-	1 186 323
Total segment revenue	**2 187 681**	**154 208 006**	**666 623 346**	**46 361 266**	**869 380 299**
Entity's revenue					**869 380 299**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Expenditure					
Employee related costs	27 720 498	130 558 078	92 187 919	47 444 844	297 911 339
Remuneration of councillors	-	-	30 656 832	-	30 656 832
Depreciation and amortisation	10 152 717	40 934 923	3 366 180	4 082 277	58 536 097
Impairments loss	1 189 752	3 541 038	135 761	-	4 866 551
Finance costs	-	-	-	2 859 701	2 859 701
Lease rentals on operating lease	-	-	2 425 555	-	2 425 555
Debt Impairment	-	-	298 532 797	(204 801 387)	93 731 410
Contracted services	5 011 441	32 436 738	46 004 019	13 748	83 465 946
Transfers and Subsidies	865 243	45 999	3 875 030	-	4 786 272
Loss on disposal of assets and liabilities	228 093	5 367 547	544 629	-	6 140 269
Inventories losses/write-downs	-	-	572 259	-	572 259
Loss on transfer of assets	20 003 478	-	-	-	20 003 478
Land write down	-	150 997	-	-	150 997
General Expenses	14 230 910	28 292 906	27 551 734	7 497 844	77 573 394
Actuarial gains/losses	-	-	1 527 081	-	1 527 081
Total segment expenditure	**79 402 132**	**241 328 226**	**507 379 796**	**(142 902 973)**	**685 207 181**
Total segmental surplus/(deficit)					**184 173 118**
Assets					
Property, plant and equipment	(1 673 725 812)	1 339 558 868	1 983 005 760	74 239 946	1 723 078 762
Intangible assets	-	1 524 129	(1 024 998)	-	499 131
Inventories	(6 001 250)	(9 156 207)	54 439 645	(9 260 401)	30 021 787
Receivables from non-exchange transactions	-	4 183 130	9 743 678	5 299 988	19 226 796
VAT receivable	-	-	11 878 264	-	11 878 264
Receivables from exchange transactions	40 814 677	135 581 018	(45 540 989)	(100 484 794)	30 369 912
Cash and cash equivalents	(335 214 634)	(181 285 761)	1 485 668 951	19 234 547	988 403 103
Total segment assets	**(1 974 127 019)**	**1 290 405 177**	**3 498 170 311**	**(10 970 714)**	**2 803 477 755**

Notes to the Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
58. Segment information (continued)					
Total assets as per Statement of financial Position					**2 803 477 755**
Liabilities					
Employee benefit obligation	-	-	(17 158 053)	-	(17 158 053)
Provisions	-	-	(24 945 249)	(31 993 912)	(56 939 161)
Payables from exchange transactions	(1 560 961)	(36 796 330)	(68 110 502)	(8 336 401)	(114 804 194)
Consumer deposits	-	-	(363 209)	-	(363 209)
Unspent conditional grants and receipts	-	-	(4 012 953)	-	(4 012 953)
Total segment liabilities	**(1 560 961)**	**(36 796 330)**	**(114 589 966)**	**(40 330 313)**	**(193 277 570)**
Total liabilities as per Statement of financial Position					**(193 277 570)**

Other information	**Community and public safety**	**Economic and environmental services**	**Governance and administration**	**Trading services**
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	29 894 564	133 420 995	4 377 543	15 586 061