Lephalale Local Municipality
(Registration number LIM362)
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality (MSA)
Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	The provision of water, electricity, waste management, waste water Management and Public Works.Service to communities in a sustainable manner to promote social economic development and a safe and Healthy environment. Encourage the involvement of Communities and community organizations in matters of local Government. The entity's operations are governed by the Constitution of the republic of South Africa (Act 108 of 1996)The Municipal Finance Management Act (MFMA) Act 56 of 2003, Municipal Structures Act (Act 117 of 1998), Municipal Systems Act 32 of 2000) and various other acts and regulations.
Mayoral committee	
Mayor	Hon RA Mokgetlhe
Councillors	Clr GG Marakalala (Speaker)
	Clr SJ Machaba (Chief Whip)
	Clr M Makgae (Chairperson of Chairpersons)
	Clr NH Pienaar (EXCO & Governance,Admin and BTO Committee)
	Clr B Kgageng-Moloantoa (Chairperson of Women in Caucus Committee)
	Cllr WM Motlokwa (MPAC Chairperson)
	Clr PKJ Selolo (Chairperson of Ethics Committee)
	Clr MR Modiba (Chairperson of Infrastructure Services)
	Clr ML Shongwe (Chairperson of Social Services)
	Clr LF Monare (Chairperson of radical Economic Transformation)
	Clr S Mpedi (Chairperson of Geographical Name Change Committee)
	Clr MM Semenya (Chairperson of Developement Planning Servivces)
	Clr SM Nieuwouldt
	Clr LK Mosupye
	Clr MW Langa
	Clr KC Bopape
	Clr A Thulare
	Clr DA Mothoni
	Clr MJ Madibana
	Clr G Molwantwa
	Clr RT Modise
	Clr E Seepe
	Clr SJ Moselane
	Clr EL Setho
	Clr HW Venter
	Clr MJ Sebetha
	Clr DA Mongalo
	Clr I Magoai
Grading of local authority	Grade 3
Accounting Officer	MM Cocquyt
Chief Finance Officer (CFO)	LM Matlwa

General Information

Registered office	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank
Auditors	Auditor General of South Africa
Level of Rounding off	Nearest Rand
Website	www.lephalale.gov.za
Email	munic@lephalale.gov.za

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

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Corporate Governance Report

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
ASB	Accounting Standards Board
DBSA	Development Bank of Southern Africa
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
CPI	Consumer Price Index
IAS	International Accounting Standards
WSIG	Water Services Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
EXCO	Executive Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Bank of Southern Africa
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts
INEP	Intergrated National Electrification Programme
NGO	Non-Governmental Organisation
SETA	Sector Education and Training Authority
PFMA	Public Finance Management Act
PPE	Property Plant and Equipment
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
SCM	Supply Chain Management
FMG	Financial Management Grant
DoRA	Division of Revenue Act
FY:	Financial Year
BAC	Bid Adjudication Committee
COIDA	Compensation for Occupational Injuries and Diseases

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

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

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

The municipality is not wholly dependent on the government 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 annual financial statements set out on page9 895, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 .

MM Cocquyt
Accounting Officer

Accounting Officer's Report

1. Going concern

Net surplus of the Municipality was R30 601 526 (2022:32 891 043)

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 1 367 434 841 and that the municipality's total assets exceed its liabilities by R 1 367 434 841.

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 municipality is a going concern because of the following :
It is a state entity set up by the constitution of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experiece where national treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted intergrated development plan which is a five year plan. Municipality has tabled a funded budget for the financial year 2023/24. This is an indication for the Municiplaity's intention to operate beyond the next 12 months period. The gearing ratios are above the norms as per national treasury MFMA circular 71.

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.

2. Subsequent events

Matter or circumstance arising since the end of the financial year were disclosed in note to the annual financial statement. The impact of those event were also disclosed under the note.

3. Accounting policies

The annual financial statements prepared 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.

4. Bankers

Municipality has its primary bank account with ABSA bank Limited

5. Auditors

Auditor General of South Africa

MM Cocquyt
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	11	9 149 920	8 007 763
Sundry Receivables	7	100 825	59 740
Receivables from non-exchange transactions	16	71 996 747	62 589 202
Other receivables from non-exchange transactions	12	6 108 085	11 400 814
VAT receivable	14	30 287 344	20 706 854
Receivables from exchange transactions	15	137 964 973	108 133 299
Cash and cash equivalents	17	91 260 172	92 454 404
		346 868 066	**303 352 076**
Non-Current Assets			
Investment property	3	17 631 000	13 840 000
Property, plant and equipment	4	1 405 369 904	1 452 004 873
Intangible assets	5	1 816 053	1 375 326
Heritage assets	6	77 000	77 000
		1 424 893 957	**1 467 297 199**
Total Assets		**1 771 762 023**	**1 770 649 275**
Liabilities			
Current Liabilities			
Other financial liabilities	20	20 524 373	711 605
Finance lease obligation	18	9 442 397	8 173 000
Payables from exchange transactions	8	113 156 688	245 891 186
Consumer deposits	9	12 194 644	10 392 132
Provision -Employee benefit	10	4 249 000	3 362 000
Unspent conditional grants and receipts	19	21 245 590	2 671 577
		180 812 692	**271 201 500**
Non-Current Liabilities			
Other financial liabilities	20	82 097 494	-
Finance lease obligation	18	36 520 834	45 963 232
Provision -Employee benefit	10	75 693 000	85 337 000
Provisions for landfill	21	29 203 162	43 613 836
		223 514 490	**174 914 068**
Total Liabilities		**404 327 182**	**446 115 568**
Net Assets		**1 367 434 841**	**1 324 533 707**
Accumulated surplus		1 367 434 841	1 324 533 711
Total Net Assets		**1 367 434 841**	**1 324 533 711**

* See Note 54 & 53

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	255 666 083	256 774 501
Rental of facilities and equipment	25	195 487	155 910
Interest earned on outstanding receivables-Service charges	61	40 865 122	31 529 803
Agency fees	27	8 816 975	10 372 970
Other Revenue	29	4 343 566	6 970 816
Interest earned -External investment	31	9 010 902	4 193 329
Total revenue from exchange transactions		**318 898 135**	**309 997 329**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	106 601 780	96 812 154
Interest earned -on outstanding receivables-Property rates	32	13 705 213	13 683 231
Transfer revenue			
Government grants & subsidies	34	258 210 835	300 652 037
Public contributions and donations	35	-	921 500
Fines, Penalties and Forfeits	26	465 200	513 969
Interest - Transfer revenue	30	27 518 357	-
Total revenue from non-exchange transactions		**406 501 385**	**412 582 891**
Total revenue	22	**725 399 520**	**722 580 220**
Expenditure			
Employee related costs	36	(208 879 533)	(206 470 544)
Remuneration of councillors	37	(13 304 795)	(12 077 627)
Depreciation, impairment and amortisation	38	(87 737 833)	(86 906 259)
Finance costs	39	(22 435 387)	(29 661 939)
Bad debts written off		(2 074 845)	-
Debt impairment	41	(63 070 552)	(60 048 463)
Bulk purchases	43	(139 206 923)	(124 063 033)
Contracted services	44	(47 486 624)	(45 717 786)
Transfers and Subsidies	33	(581 154)	(545 121)
Inventory Consumed	23	(46 622 836)	(44 344 507)
Operating Expenses	42	(75 528 258)	(80 859 276)
Total expenditure		**(706 928 740)**	**(690 694 555)**
Operating surplus	46	**18 470 780**	**31 885 665**
Fair value adjustments	47	3 791 000	-
Actuarial gains/(losses)	10	20 639 350	(4 104 000)
		24 430 350	**(4 104 000)**
Surplus for the year		**42 901 130**	**27 781 665**

* See Note 54 & 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 299 830 184	1 299 830 184
Adjustments		
Correction of errors 54	(3 078 138)	(3 078 138)
Balance at 01 July 2021 as restated*	**1 296 752 046**	**1 296 752 046**
Changes in net assets		
Surplus for the year	27 781 665	27 781 665
Total changes	27 781 665	27 781 665
Restated* Balance at 01 July 2022	**1 324 533 711**	**1 324 533 711**
Changes in net assets		
Surplus for the year	42 901 130	42 901 130
Total changes	42 901 130	42 901 130
Balance at 30 June 2023	**1 367 434 841**	**1 367 434 841**

Note(s)

* See Note 54 & 53

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		110 899 448	77 892 430
Sale of goods and services		266 699 531	251 784 826
Grants		276 572 246	283 081 091
Interest income		9 010 902	4 193 329
Other receipts		8 981 786	-
		672 163 913	616 951 676
Payments			
Employee costs		(222 184 328)	(218 792 011)
Suppliers		(373 424 734)	(287 746 096)
Finance costs		(7 260 611)	(8 047 290)
Other payments		(581 154)	(545 121)
		(603 450 827)	(515 130 518)
Net cash flows from operating activities	45	**68 713 086**	**101 821 158**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(59 564 778)	(95 444 238)
Purchase of other intangible assets	5	(1 457 935)	(715 910)
Net cash flows from investing activities		**(61 022 713)**	**(96 160 148)**
Cash flows from financing activities			
Finance lease payments		(8 173 000)	(7 378 549)
Payment of DBSA loan		(711 605)	(652 701)
Net cash flows from financing activities		**(8 884 605)**	**(8 031 250)**
Net increase/(decrease) in cash and cash equivalents		**(1 194 232)**	**(2 370 240)**
Cash and cash equivalents at the beginning of the year		92 454 404	94 824 644
Cash and cash equivalents at the end of the year	17	**91 260 172**	**92 454 404**

The accounting policies on pages 20 to 52 and the notes on pages 53 to 103 form an integral part of the annual financial statements.

* See Note 54 & 53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	367 925 035	(16 512 718)	**351 412 317**	255 666 083	**(95 746 234)**	A1
Rental of facilities and equipment	329 400	-	**329 400**	195 487	**(133 913)**	A2
Interest earned on outstanding receivables -Service charges	28 146 363	11 506 393	**39 652 756**	40 865 122	**1 212 366**	A3
Agency fees	8 711 581	-	**8 711 581**	8 816 975	**105 394**	A4
Building fees	726 792	-	**726 792**	-	**(726 792)**	A5
Other Revenue	3 273 877	-	**3 273 877**	4 343 566	**1 069 689**	A6
Interest received - investment	2 298 581	2 800 000	**5 098 581**	9 010 902	**3 912 321**	A7
Total revenue from exchange transactions	**411 411 629**	**(2 206 325)**	**409 205 304**	**318 898 135**	**(90 307 169)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	112 986 507	-	**112 986 507**	106 601 780	**(6 384 727)**	A8
Property rates - penalties imposed	8 551 659	-	**8 551 659**	13 705 213	**5 153 554**	A9
Transfer revenue						
Government grants & subsidies	355 765 000	(17 411 000)	**338 354 000**	258 210 835	**(80 143 165)**	A10
Fines, Penalties and Forfeits	727 166	-	**727 166**	465 200	**(261 966)**	A11
Interest - Transfer revenue	-	-	**-**	27 518 357	**27 518 357**	
Total revenue from non-exchange transactions	**478 030 332**	**(17 411 000)**	**460 619 332**	**406 501 385**	**(54 117 947)**	
Total revenue	**889 441 961**	**(19 617 325)**	**869 824 636**	**725 399 520**	**(144 425 116)**	
Expenditure						
Personnel	(236 854 011)	(4 665 186)	**(241 519 197)**	(208 879 533)	**32 639 664**	A12
Remuneration of councillors	(12 921 083)	(876 782)	**(13 797 865)**	(13 304 795)	**493 070**	A13
Depreciation and amortisation	(97 154 670)	5 000 002	**(92 154 668)**	(87 737 833)	**4 416 835**	A14
Finance costs	(14 895 531)	-	**(14 895 531)**	(22 435 387)	**(7 539 856)**	A15
Bad debts written off	-	-	**-**	(2 074 845)	**(2 074 845)**	
Debt impairment	(17 620 353)	(5 000 000)	**(22 620 353)**	(63 070 552)	**(40 450 199)**	A16
Bulk purchases	(146 424 386)	2 000 000	**(144 424 386)**	(139 206 923)	**5 217 463**	A17
Contracted Services	(70 909 224)	3 098 867	**(67 810 357)**	(47 486 624)	**20 323 733**	A18
Transfers and Subsidies	(1 024 088)	-	**(1 024 088)**	(581 154)	**442 934**	A19
Inventory Consumed	(58 969 459)	6 853 782	**(52 115 677)**	(46 622 836)	**5 492 841**	A20
General Expenses	(83 102 702)	(4 204 290)	**(87 306 992)**	(75 528 258)	**11 778 734**	A21
Total expenditure	**(739 875 507)**	**2 206 393**	**(737 669 114)**	**(706 928 740)**	**30 740 374**	
Operating surplus	**149 566 454**	**(17 410 932)**	**132 155 522**	**18 470 780**	**(113 684 742)**	
Fair value adjustments	-	-	**-**	3 791 000	**3 791 000**	
Actuarial gains/losses	-	-	**-**	20 639 350	**20 639 350**	
	-	**-**	**-**	**24 430 350**	**24 430 350**	
Surplus	**149 566 454**	**(17 410 932)**	**132 155 522**	**42 901 130**	**(89 254 392)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**149 566 454**	**(17 410 932)**	**132 155 522**	**42 901 130**	**(89 254 392)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 500 000	5 573 000	**8 073 000**	9 149 920	**1 076 920**	
Sundry Receivables	60 000	-	**60 000**	100 825	**40 825**	
Receivables from non-exchange transactions	75 000 000	-	**75 000 000**	71 996 747	**(3 003 253)**	
Other receivables from non exchange transactions	2 096 000	-	**2 096 000**	6 108 085	**4 012 085**	
VAT receivable	13 434 000	7 765 000	**21 199 000**	30 287 344	**9 088 344**	
Consumer debtors	176 520 000	(16 819 000)	**159 701 000**	137 964 973	**(21 736 027)**	
Cash and cash equivalents	219 499 000	(114 715 000)	**104 784 000**	91 260 172	**(13 523 828)**	
	489 109 000	**(118 196 000)**	**370 913 000**	**346 868 066**	**(24 044 934)**	
Non-Current Assets						
Investment property	-	-	**-**	17 631 000	**17 631 000**	
Property, plant and equipment	1 560 912 000	(12 061 000)	**1 548 851 000**	1 405 369 904	**(143 481 096)**	
Intangible assets	4 596 000	(2 492 000)	**2 104 000**	1 816 053	**(287 947)**	
Heritage assets	77 000	-	**77 000**	77 000	**-**	
	1 565 585 000	**(14 553 000)**	**1 551 032 000**	**1 424 893 957**	**(126 138 043)**	
Total Assets	**2 054 694 000**	**(132 749 000)**	**1 921 945 000**	**1 771 762 023**	**(150 182 977)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	20 524 373	**20 524 373**	
Finance lease obligation	2 170 000	(935 000)	**1 235 000**	9 442 397	**8 207 397**	
Payables from exchange transactions	239 700 000	(121 139 000)	**118 561 000**	113 156 688	**(5 404 312)**	
Consumer deposits	11 528 000	(1 136 000)	**10 392 000**	12 194 644	**1 802 644**	
Provision -Employee benefit	-	-	**-**	4 249 000	**4 249 000**	
Unspent conditional grants and receipts	(11 300 000)	15 051 000	**3 751 000**	21 245 590	**17 494 590**	
	242 098 000	**(108 159 000)**	**133 939 000**	**180 812 692**	**46 873 692**	
Non-Current Liabilities						
Other financial liabilities	-	135 105 000	**135 105 000**	82 097 494	**(53 007 506)**	
Finance lease obligation	52 400 000	-	**52 400 000**	36 520 834	**(15 879 166)**	
Provision -Employee benefit	91 480 000	2 091 000	**93 571 000**	75 693 000	**(17 878 000)**	
Provisions for landfill	50 000 000	-	**50 000 000**	29 203 162	**(20 796 838)**	
	193 880 000	**137 196 000**	**331 076 000**	**223 514 490**	**(107 561 510)**	
Total Liabilities	**435 978 000**	**29 037 000**	**465 015 000**	**404 327 182**	**(60 687 818)**	
Net Assets	**1 618 716 000**	**(161 786 000)**	**1 456 930 000**	**1 367 434 841**	**(89 495 159)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 618 716 000	(161 786 000)	**1 456 930 000**	1 367 434 841	**(89 495 159)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	96 038 000	-	**96 038 000**	110 899 448	**14 861 448**	
Sale of goods and services	312 736 279	-	**312 736 279**	266 699 531	**(46 036 748)**	
Grants	355 765 000	(18 215 000)	**337 550 000**	276 572 246	**(60 977 754)**	
Interest income	2 298 000	2 702 000	**5 000 000**	9 010 902	**4 010 902**	
Other receipts	-	-	**-**	8 981 786	**8 981 786**	
	766 837 279	**(15 513 000)**	**751 324 279**	**672 163 913**	**(79 160 366)**	
Payments						
Employee costs	(249 775 094)	-	**(249 775 094)**	(222 184 238)	**27 590 856**	
Suppliers	(360 429 859)	-	**(360 429 859)**	(365 157 988)	**(4 728 129)**	
Finance costs	(14 895 531)	-	**(14 895 531)**	(5 972 467)	**8 923 064**	
Other payments	-	-	**-**	(581 154)	**(581 154)**	
	(625 100 484)	**-**	**(625 100 484)**	**(593 895 847)**	**31 204 637**	
Net cash flows from operating activities	**141 736 795**	**(15 513 000)**	**126 223 795**	**78 268 066**	**(47 955 729)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(69 139 864)	**(69 139 864)**	
Purchase of other intangible assets	-	-	**-**	(1 457 935)	**(1 457 935)**	
Net cash flows from investing activities	**-**	**-**	**-**	**(70 597 799)**	**(70 597 799)**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(711 606)	**(711 606)**	
Finance lease payments	-	-	**-**	(8 173 000)	**(8 173 000)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(8 884 606)**	**(8 884 606)**	
Net increase/(decrease) in cash and cash equivalents	141 736 795	(15 513 000)	**126 223 795**	(1 214 339)	**(127 438 134)**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	92 454 404	**92 454 404**	
Cash and cash equivalents at the end of the year	**141 736 795**	**(15 513 000)**	**126 223 795**	**91 240 065**	**(34 983 730)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Budget differences- only variances above 10% will be explained

A1 Service Charges -Due to low consumption from Consumers and loadshedding

A2 Rental of facilities and Equipments-There was less activities on sport facilities than intended.High vacancy rate for executive positions that were filled during the year

A3 Interest received on debtors -High debt book

A4 Agency fees -Variance is within the norm

A6 Other Income-Within the norm

A7 Interest received on investment-Low spending on conditional grants

A8 Property rates -Within the norm of 10%

A9 Interest received on property rates -High debtors book

A10 Government grants and subsidies -Underspending on WSIG and implementation of schedule 6B of DoRA and underspending on MIG

A11 Fines , penalties and forfeits- Less offences

A12 Personnel- Due to high vacancy rates

A13 Remmuneration of Councillors-Within the norm

14 Depreciation , Impairment and amortisation-Delays on the completion of projects and implementation of approved capital project

A15 Finance Cost-Due to interest of Provisions for landfill site and employee provisions.

A16 Debt Impairment- High debt book

A17 Bulk Purchases-Low consumption of electricity due to loadshedding

A18 Contracted Services -More maintenance was done internally and delays in the implementation of Prepaid vending project
A20 Transfers and subsidies- Unclaimed fund from NGO
A21 Operating expenses- implementation of Cost containment measures

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant account policies

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

1.1 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 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. Significant judgements include:

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

The calculation of impairment of trade receivables is based on debtors over 90 days.If individual debtors has a debt outstanding for over 90 day the debtor is considered to be impairmed and the impairment is determined according to Credit Control and Debt Collection Policy of the council.

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by economic factors such as exchange rates and inflation interest together with entity specific factors such as production and the demand for certain services.
The recoverable amounts of individual assets have been determined on the higher of value in use calculation and fair values less cost to sell

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Contingent provisions on entity combinations

Contingencies are not recognised in the annual financial statement, refer to note on entity combinations.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of infrastructure assets and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

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

Allowance for doubtful debts

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

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are included in the note to the financial statement

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land are included in the note to financial statement

Additional information is disclosed in Note 4.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are disclosed in the note to the financial statement

Additional information is disclosed in Note 60.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is 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 statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality 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 are 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.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing ommissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Change in accounting estimates

Change in estimates are prospectively accounted for and disclosure note is made in the annual financial statement

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

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

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

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

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

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

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

Accounting Policies

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

Subsequent Measurement

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at cost which is subsequently carried at cost and is not depreciated as it is deemed to have indefinite useful life.

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

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

Item	Depreciation method	Average useful life

Accounting Policies

1.7 Property, plant and equipment (continued)

Land	Straight-line	Indefinite
Buildings	Straight-line	25-30
Mobile Homess	Straight-line	5-10
Caravans	Straight-line	5-10
Residence	Straight-line	25-30
Smart Meters	Straight-line	20-25
Specialised Plant and Equipments	Straight-line	10-15
Furniture and Fixtures	Straight-line	5-10
Motor Vehicles	Straight-line	5-8
Office Equipments	Straight-line	3-5
Other Property Plant and Equipment	Straight-line	10-15
Park facilities	Straight-line	25-30
Specialised Vehicles	Straight-line	10-15
Kerb and Channel	Straight-line	40-50
Municipal roads and Asphalt	Straight-line	10-20
Gravel Surface	Straight-line	3-10
Library Books	Straight-line	5-15
Bins and containers	Straight-line	5-8
Landfill site Building	Straight-line	30-50
Weighbridge	Straight-line	15-40
Site -Landfil site	Straight-line	10-25
Waste Water Pump Station	Straight-line	30-55
Water Pump Station	Straight-line	30-50
Water Resevoirs	Straight-line	30-50
Water Supplu/Reticulation	Straight-line	20-50
Electricity Lines-Underground	Straight-line	25-45
Electricity Lines-Overheads	Straight-line	20-30
Electrical Substation-Switchgear	Straight-line	20-30
Footpaths	Straight-line	15-30
Steet lights	Straight-line	25-30
Traffic lights	Straight-line	14-20

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.

Derecognition

item 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

Work in Progress

Work in progress refers to all property plant and equipment that are still under construction and are not in a position to be used by management in the process of rendering services.

Subsequent measurement.

Work in progress is not being depreciated as it is not in a position to be used by management in the rendering of services.Work in progress that are taking significant period to be completed and halted projects are assessed for impairment annually and carried at cost less impairment losses

Tranfer out of work in progres and derecognition

Completed projects are transfered from work in progress into property plant and equipment.Projects that are contructed on behalf of third parties are expensed in the statement of financial performance as transfer of infrastructure assets.

1.8 Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

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

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

Initial recognition and Measurement

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.
-

Subsequent Measurement

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software and Other	Straight-line	5-8

1.9 Intangible assets (continued)

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

1.10 Heritage assets

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.10 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

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

Derecognition

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

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

1.11 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.

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’).

1.11 Financial instruments (continued)

- 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.

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

Accounting Policies

1.11 Financial instruments (continued)

- 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

1.11 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
Cash and Cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other receivables from non exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Finance Lease	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost
Other Financial liabilities	Financial liability measured at fair value

1.11 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

The entity measures a financial asset and financial liability initially at its fair value (If subsequently measured at fair value).

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
benefit in a social accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectible of financial assets

1.11 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition Financial assets
The entity derecognises financial assets using trade date accounting.

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

-derecognise the asset; and
-recognise separately any rights and obligations created or retained in the transfer

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

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained

1.11 Financial instruments (continued)

servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

1.12 Indirect taxes

VAT

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Accounting Policies

1.12 Indirect taxes (continued)

- The Municipality is registered under category C of VAT and therefore processes VAT returns on Monthly basis.The returns are processed on cash basis in terms of section 15 of the VAT act (Act 89 of 1991).VAT was accounted on accrual basis in the annual financial statement as required by GRAP

1.13 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

1.14 Inventories (continued)

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.

1.15 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.

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

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

- 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 non-cash-generating assets or cash-generating assets, are as follows:

Designation

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

1.17 Employee benefits

Short-term employee benefits

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

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

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

Other post retirement obligations

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

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

1.18 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.

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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 as it is not propable that there will be an outflow of future economic benefits. Contingencies are disclosed in note 50.

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;

1.18 Provisions and contingencies (continued)

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

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

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

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

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.19 Commitments (continued)

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

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

1.20 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).

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

Agency Fee
When the outcome of a transaction involving the rendering of services on behalf of the principal 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.

Only consideration due to the agent is recognised and revenue from agency fee and the amount collected on behalf of the princiapl is recognised as a liability

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.21 Revenue from non-exchange transactions (continued)

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

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

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

Transfers -Conditional and unconditional grants

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.

Services in-kind

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

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

1.22 Investment income

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

1.23 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.

1.24 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.

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.

1.25 Comparative figures

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

Accounting Policies

1.26 Unauthorised expenditure

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

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

1.27 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).

1.28 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 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).

1.29 Segment information

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

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

Measurement

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

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

1.30 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.

Accounting Policies

1.30 Budget information (continued)

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 functional 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. All Variances of above 10% between the budged and the actual figures are explained in the fiancial statement as they are considered to be significant

1.31 Related parties

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

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

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

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

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

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

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

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

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

ewsOnly transactions that are not at arms length or in the ordinary course of business of the municipality are disclosed

1.32 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).

Accounting Policies

1.32 Research and development expenditure (continued)

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.

1.33 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity disclose the nature and amounts of collateral recognised or held, in the notes to the financial statements.

1.34 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

1.34 Living and non-living resources (continued)

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

1.35 Consumer deposits

Initial Measurement and Recognition

The deposit is recognised when the consumer account is opened and payement is made to the Municipality as a deposit in terms of the approved tariffs of the council.Builders deposit is recognised when on the receipt of money from owners of the properties (ERFs) for construction or development .Deposits are recognised as liability in the financial statements

Subsequent Measurement

The deposits can be increased on the account when the consumer applies for an additional service and the amount will be recognised as liability. The deposit received is recorded in the account for consumer deposits and it is kept at the original amount received

Derecognition Criteria

The deposits gets appropriated to the consumer account when the service account is finally terminated .The builders deposit is refundable when the construction is completed without contravention of any relevant legislation.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 - Employee Benefits	01 April 2022	The impact is not material
GRAP 103 - Heritage Assets	01 April 2022	The impact is not material
GRAP 104 - Financial Instruments	01 April 2022	The impact is not material
IGRAP 21- The effect of passed decisions on material	01 April 2023	The impact is not material
IGRAP 7- The limit on a defined asset , minimun funding requirements and interactions	01 April 2023	The impact is not material
GRAP 1 (Amended) Presentation of annual financial statements	01 April 2023	The impact is not materia

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2022 or later periods:

2.4 Standards and interpretations not yet effective or relevant

interpretations and standards that have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Accounting for Landfill sites	(Not yet effective)	
GRAP 104, Financial instruments	(1 April 2025)	The impact is not material

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	17 631 000	-	17 631 000	13 840 000	-	13 840 000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	13 840 000	3 791 000	17 631 000

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	13 840 000	13 840 000

Pledged as security

Assets under investment property were not pledged as security:

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

3. Investment property (continued)

The valuation of land was performed by Manna holdings Pty (Ltd) company as at 30 June 2023. Manna holding were appointed as independent value registered as professional valuer. The valuation was conducted by Mr AN Lelosa professional valuer registered with South African Council for the Property Valuaers Profession : registration number 4735/1

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No expenditure was incurred to repair and maintain investment property

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 227 751	-	60 227 751	60 227 751	-	60 227 751
Buildings	24 529 032	(17 000 096)	7 528 936	24 107 432	(16 233 034)	7 874 398
Infrastructure	1 985 467 176	(972 135 733)	1 013 331 443	1 907 698 382	(901 088 462)	1 006 609 920
Community	105 165 393	(37 603 616)	67 561 777	123 999 492	(33 418 938)	90 580 554
Other property, plant and equipment	110 390 744	(70 381 122)	40 009 622	106 693 733	(64 842 788)	41 850 945
Work in progress	186 715 846	-	186 715 846	222 929 937	-	222 929 937
Smart meters	42 305 115	(12 310 586)	29 994 529	32 188 671	(10 257 303)	21 931 368
Total	**2 514 801 057**	**(1 109 431 153)**	**1 405 369 904**	**2 477 845 398**	**(1 025 840 525)**	**1 452 004 873**

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	Transfers received	Transfers out	Other changes, movements	Depreciation	Impairment loss	Total
Land	60 227 751	-	-	-	-	-	-	60 227 751
Buildings	7 874 398	-	421 600	-	-	(767 062)	-	7 528 936
Infrastructure	1 006 609 920	4 332 459	73 143 255	-	-	(65 398 551)	(5 355 640)	1 013 331 443
Community	90 580 554	209 350	-	-	(19 037 450)	(4 190 677)	-	67 561 777
Other property, plant and equipment	41 850 945	3 914 082	-	-	-	(5 591 908)	(163 497)	40 009 622
Work in Progress	222 929 937	40 991 407	-	(74 107 850)	-	-	(3 097 648)	186 715 846
Smart Meters	21 931 368	10 117 480	-	-	-	(1 382 528)	(671 791)	29 994 529
	1 452 004 873	**59 564 778**	**73 564 855**	**(74 107 850)**	**(19 037 450)**	**(77 330 726)**	**(9 288 576)**	**1 405 369 904**

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	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	58 002 056	-	2 225 695	-	-	-	-	60 227 751
Buildings	8 353 747	245 000	-	-	-	(720 826)	(3 523)	7 874 398
Infrastructure	987 387 794	982 386	90 510 222	-	-	(68 902 456)	(3 368 026)	1 006 609 920
Community	103 537 791	-	4 165 393	-	(12 572 704)	(4 502 221)	(47 705)	90 580 554
Other property, plant and equipment	34 474 709	12 448 660	-	-	-	(4 864 565)	(207 859)	41 850 945
Work In Progress	240 462 517	81 768 192	-	(96 845 180)	-	-	(2 455 592)	222 929 937
Smart Meters	23 218 916	-	-	-	-	(1 287 548)	-	21 931 368
	1 455 437 530	**95 444 238**	**96 901 310**	**(96 845 180)**	**(12 572 704)**	**(80 277 616)**	**(6 082 705)**	**1 452 004 873**

Other Property Plant and equipments -2023	**Opening**	**Additions**	**Depreciation**	**Impairment**	**Disposal**	**Closing**
Furniture and fittings	1 004 878	18 670	(220 980)	(8 529)	-	794 039
Office equipments	2 921 725	1 313 670	(905 214)	(866)	-	3 329 315
Computer equipments	3 445 941	891 710	(503 331)	(144 857)	-	3 689 463
Plant and equipments	2 483 133	472 960	(414 913)	(9 245)	-	2 531 935
Motor Vehicles	29 592 903	726 072	(3 163 921)	-	-	27 155 054
Library books	98 179	-	(15 721)	-	-	82 458
Bins and Containers	2 169 087	491 000	(367 829)	-	-	2 292 258
	41 715 846	**3 914 082**	**(5 591 909)**	**(163 497)**	**-**	**39 874 522**

Other Property Plant and Equipments-2022	**Opening balance**	**Additions**	**Depreciation**	**Impairment**	**Disposal**	**Closing balance**
Furniture and Fittings	991 165	282 904	(265 934)	(3 258)	-	1 004 878
Office Equipments	2 205 711	1 375 138	(654 718)	(4 405)	-	2 921 725
Computer Equipments	3 671 743	528 400	(738 782)	(15 420)	-	3 445 941
Plant and Equipments	2 897 924	48 000	(440 606)	(22 185)	-	2 483 133
Motor Vehicles	23 043 659	9 142 318	(2 497 093)	(95 981)	-	29 592 903
Library Books	113 900	-	(15 721)	-	-	98 179
Bins and Containers	1 355 575	1 071 900	(258 389)	-	-	2 169 087

4. Property, plant and equipment (continued)

	34 279 677	**12 448 660**	**(4 871 243)**	**(141 249)**	**-**	**41 715 846**

The balance of proprty, plant and equipment includes assets with the carrying value of R1 666 398 that could not be physically verified as at 31 August 2023.the assets will be investigated and if still not found, the report will be sent to council to request write off .

A register of property plant and equipments required in terms of section 63 of the Municipal finance management act is available for inspection at the registered office of the municiplity . No property plant and equipment was pledged as a security for loan and all assets are not restricted for used in the process of rendering services

Pledged as security

No property plant and equipment was pledged as a security for loan and all assets are not restricted for used in the process of rendering services

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	209 329 641	13 594 112	222 923 753
Additions/capital expenditure	38 419 459	2 571 816	40 991 275
Impairment	(3 097 648)	-	(3 097 648)
Transferred to completed items	(74 107 850)	-	(74 107 850)
	170 543 602	**16 165 928**	**186 709 530**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	222 149 556	18 916 143	241 065 699
Additions/capital expenditure	79 686 733	3 376 923	83 063 656
Impairment	(2 348 708)	(2 012 256)	(4 360 964)
Transferred to completed items	(90 157 940)	(6 686 698)	(96 844 638)
	209 329 641	**13 594 112**	**222 923 753**

The following is a list, reasons and carrying values of Projects that took significantly than expected.

	2023	2022
Contruction of Strongroom	5 189 687	4 013 801
Witpoort Seleka RWS Phase 4	6 203 647	6 203 647
Contruction of Thabo Mbeki Sewer	38 214 335	37 273 243
Contruction of two Transfer Stations	8 171 137	8 171 137
Mmaletswai Water network system refurbishment	10 819 088	10 819 088
Zongesien Sewer Plant-Marapong	6 438 077	6 438 077
Marapong Bulk Water Supply	34 940 617	32 325 699
Mokoruanyane Shongoane RWS Phase 5	15 735 665	15 735 665
Witpoort Seleka RWS Phase 5	9 340 602	8 894 790
	135 052 855	**129 875 147**

Contruction of Strongroom The Project entails the building works for the string Room.
The consulting firm did not have capacity to proceed with the project after the passing of the director.The project has now been capacitated and construction is on progress.

Witpoort Seleka RWS Phase 4
The Project was included in the implementation plan for 2022/23FY .The only outstanding work on the project is electrification of boreholes.Payment of R500 000 was made to Eskom in June 2022 for electrification and Eskom Subsequently installed a transformer however it is still not connected.

Contruction of Thabo Mbeki Sewer
The project entalis the contruction of the pumpstation ,ponds and inatallation of sewer pipeline .The contractor encountered delays in delivery of long lead items which resulted into a delay on completion of the Project .Enough budget was allocated in 2022/23 financial year to complete the project.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Contruction of Two Transfer Stations
The project has stalled to allow the litigation process to conclude with the consultant who is supervising the project.The Municipality won the case and the process of appointing new consultant in underway

Mmaletswai Water system Network Refurbishment
The only outstanding work on the project is electrification of horeholes. Eskom was paid amount R618 400 for the electrification in 2023 Financial year

Zongesien Sewer Plant- Marapong
The project entails refurbishment of sewer Plant . The municipality was in the process of sourcing additional funding to complete.The only 2 million is allocated to the project in the current financial year.

Marapong Bulk Water Supply
The project has stalled due to the termination of a contract between Municipality and the contractor. The project is included in the implementation plan for 2023/24FY. The process of appointing new contractor is underway

Mokoruanyane Shongoane RWS Phase 5
The project has stalled due to the shorfall of funding. The costing was revised from the remaining budget of R2.3 Million to R10.2 million in line with the MISA report. The budget of R8 million was allocated in 2022/23FY and will be rolled over in 2023/24FY. The Memorundum for the approval of rescuscitation of the project was approved by the BAC.

Seleka Witpoort RWS Phase 5
The project need additional funding of R17 million to address the short fall encountered. Funding of R13 million was approved by grand funder in December 2021. The application for the top up of R4million was applied in March 2023.

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		
Infrastructure	14 767 399	12 622 509
Motor Vehicles	1 380 207	1 936 915
Buildings	12 475	136 502
	16 160 081	**14 695 926**

Land Recognistion and derecognition

In the year under review Municipality did not lose control of land.

In the priovious years , municipality lost control on some of the pieces of land that are registered on its name. The loss of control was as a results of agreement with department of Human Settlement to build RDP houses on the land belonging to the Municipality for the benefits of the residents of the Municipality. The value of the land derecognised is R6 864 531. The land is still registered in the name of the Municipality

The municipality is not a legal owner as the process for registering the land under the name of the municipality is currently underway however the Municipality is the custodian of the land land to the value of R550 000 donated by EXXARRO for the purpose of contruction of Cemetry.

Notes to the Annual Financial Statements

Figures in Rand

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	5 602 189	(3 786 136)	1 816 053	4 140 276	(2 764 950)	1 375 326

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 375 326	1 457 935	(1 017 208)	1 816 053

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 464 854	715 910	(805 438)	1 375 326

Pledged as security

No intangible asset was pledged as a security for debts

Figures in Rand

6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral Chain	77 000	77 000

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral Chain	77 000	77 000

Pledged as security

No Heritage assets were pledged as security for debt

7. Sundry Receivables

Rental receivables	41 085	-
Eskom Deposits	59 740	59 740
	100 825	**59 740**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Sundry Receivables (continued)

Current assets		
Carrying Value	100 825	59 740

8. Payables from exchange transactions

Trade payables	33 139 513	170 663 008
Payments received in advance	28 010 558	22 542 630
Retention	26 335 512	28 793 478
Accrued leave pay	16 736 630	16 079 807
Unknown Deposits	4 419 857	3 387 497
Accrued Bonus	4 514 618	4 424 766
	113 156 688	**245 891 186**

9. Consumer deposits

Water and Electricity	10 379 516	8 577 004
Other Deposits	1 815 128	1 815 128
	12 194 644	**10 392 132**

Consumer deposit balance at year end was cash backed

10. Employee benefit obligations

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

Carrying value		
Long service awards	(13 691 000)	(13 690 000)
Ex-gratia and Post-employement medical aid benefit liability	(66 251 000)	(75 009 000)
	(79 942 000)	**(88 699 000)**
Non-current liabilities	(75 693 000)	(85 337 000)
Current liabilities	(4 249 000)	(3 362 000)
	(79 942 000)	**(88 699 000)**

Valuations for post emplyment benefits were performed as at 30 June 2023 by ZAQ consultant and actuaries. ZAQ consultant and actuaries are not connected to the municipality

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:Long service Award

Opening balance	13 690 000	12 859 000
Benefits paid	(1 335 532)	(1 010 000)
Current service cost	1 164 000	1 167 000
Interest	1 628 000	1 361 000
Acturial (gain)/losses recognised in the statement of financial performance	(1 419 468)	(687 000)
	13 727 000	**13 690 000**

Ex-gratia and Post-employement medical aid benefit liability

Opening balance	75 009 000	62 245 000
Interest	8 956 000	6 735 000
Current service cost	3 713 000	3 309 000
Benefits paid	(2 207 118)	(2 071 000)
Acturial (gain)/losses	(19 219 882)	4 791 000
	66 251 000	**75 009 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(20 639 350)	4 104 000

Post-employment Medical Aid and Ex-gratia Liabilities
The expected value of each employee and their spouse's future medical aid subsidies and exgratia benefits is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid or ex-gratia benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies and ex-gratia benefits remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Long service awards
Under the plan, a long service award is payable to employees at 10 years of continuous service, thereafter for every 5 year of continuous service from 10 years up to 45 years of service. The calculation is an estimate based on actuarial assumptions and on historical staff turnover. The actuarial valuation was carried out by ZAQ Consultants and Actuaries. The actuary responsible was Julian Werner Van Der Spuy, a fellow of the Actuarial Society of South Africa. The projected unit credit funding method was used to determine the past-service liabilities at valuation date and the projected annual expense in the year following the valuation date. 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. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

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:

Assumptions used at the reporting date: Discount rate used - Yield curve]

Net effective discount rate - Yield curve based

CPI - Difference between the nominal and real yield curve

Normal salary increase rate - CPI +1%

Average retirement age - 65

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non - medical - Employees retiring will receive R1 517.00 a month as contribution to their health

Principal actuarial assumptions of valuation model used	2023	2022
Discount rate Yield Curve Yield Curve		
Health Care cost inflation rate	CPI + 1.5%	CPI + 1.5%

Discount Rate
GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve

In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age Band Promotional	Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Normal Retirement Age The normal retirement age (NRA) for all active employees assumed to be 65

Mortality Rates Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

11. Inventories

Consumable stores	520 755	517 206
Maintenance materials	8 460 536	7 399 707
Water for distribution	168 629	90 850
	9 149 920	**8 007 763**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities or any other loan

There was no reversal of inventory written down in the 2023 financial year and there was no inventory write down

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Other receivables from non-exchange transactions

Other Receivables from non-exchange transactions	9 024 901	14 505 338
Debt impairment Additional text	(2 916 816)	(3 104 524)
	6 108 085	**11 400 814**

- Municipality was funded under schedule 6B of the DoRA. Under this section funds are transfered to Municipality after the conditions of the grant were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non-exchange transactions to avoid offsetting against other unspent conditional grants.

  Included in the gross balance of other receivables from non-exchange transactions is an amount of R3 742 941 (2022: R9 563 678) relating to schedule 6B of the DoRA.

Ageing analysis-TRaffic Fines

0-30 Days	94 450	55 500
31-60 Days	113 950	70 200
61-90 Days	35 700	86 500
91-120 Days	58 000	16 450
121-365 Days	74 750	138 750
>365 Days	4 905 110	4 566 010
	5 281 960	**4 933 410**

Total Other receivables from Non-exchange transactions	6 108 085	11 400 814

13. Statutory receivables

In accordance with the principles of GRAP 108, statutory receivables of the Municipality are classified as follows

Property Rates
Property rates arise from the application of Municipal property rates act 6 0f 2004 .The transaction amount is based on the market value of the property using approved tariff of the council and any impairment are based on the individual collection ratio. Municipality levies interest on Rates outstanding after the due date for payment at 18% pa .

Traffic Fines
Traffic fines arise from the application of administrative adjudication of Road Traffic Offenses Act of 1998.The transaction amount is based on the traffic offence committed and any impairment are based on the collection ratio.No interest is levied on Traffic fines outstanding . Interest is not charged on traffic fines even if the debts are long overdue

VAT Receivable
VAT Receivables represent the refunds claimable from SARS by the Municipality for value added taxes paid or claimed on the services or goods acquired by the municipality.VAT receivable is claimed when input VAT for the period exceed output VAT declared.

Ageing analysis for property rates and Traffic fines refer to note 14 and 12 respectively.

Figures in Rand	2023	2022

. **Statutory receivables (continued)**

Staturary receivables-Traffic fines		
Gross balance	5 281 960	4 933 410
Opening balance -Impairment	(3 104 524)	(2 927 064)
Movement in impairment	187 708	(177 460)
	2 365 144	**1 828 886**

staturary receivables -Property rates		
Gross balance	174 685 933	152 717 616
Opening balance -Impairment	(91 928 414)	(74 448 456)
Movement in impairment	(13 392 840)	(17 479 958)
	69 364 679	**60 789 202**

Statutary receivables		
VAT Receivables	30 287 344	20 706 854

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14. VAT receivable

VAT	30 287 344	20 706 854

15. receivables from exchange transactions

Gross balances		
Electricity	113 235 818	80 010 811
Water	147 547 096	121 625 134
Waste water	72 671 005	60 211 969
Refuse	94 421 060	76 725 250
	427 874 979	**338 573 164**

Less: Allowance for impairment		
Electricity	(49 092 317)	(33 253 646)
Water	(117 868 942)	(96 403 896)
Waste water	(49 542 591)	(41 114 622)
Refuse	(73 406 156)	(59 667 701)
	(289 910 006)	**(230 439 865)**

Net balance		
Electricity	64 143 501	46 757 165
Water	29 678 154	25 221 238
Waste water	23 128 414	19 097 347
Refuse	21 014 904	17 057 549
	137 964 973	**108 133 299**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	14 554 822	14 334 757
31 - 60 days	7 796 824	11 638 340
61 - 90 days	6 170 753	1 597 471
91 - 120 days	5 965 339	1 450 867
121 - 365 days	4 853 258	1 491 458
> 365 days	73 894 822	49 497 918
Impairment	(49 092 317)	(33 253 646)
	64 143 501	**46 757 165**

Water		
Current (0 -30 days)	6 295 358	5 677 115
31 - 60 days	5 297 908	7 636 497
61 - 90 days	3 917 294	2 900 320
91 - 120 days	3 888 483	2 651 751
121 - 150 days	3 548 572	2 654 791
> 151 days	124 603 046	100 044 660
Impairment	(117 872 507)	(96 343 896)
	29 678 154	**25 221 238**

Waste water		
Current (0 -30 days)	2 683 254	2 348 080
31 - 60 days	2 103 955	3 222 828
61 - 90 days	1 901 400	1 172 258
91 - 120 days	2 092 352	1 109 911
121 - 150 days	1 594 600	1 060 494
> 151days	62 299 865	51 298 898
Impairment	(49 547 012)	(41 115 122)
	23 128 414	**19 097 347**

Refuse		
Current (0 -30 days)	4 163 755	2 305 135
31 - 60 days	2 067 386	2 724 763
61 - 90 days	1 841 014	1 207 435
91 - 120 days	1 897 186	1 169 724
121 - 150 days	1 628 158	1 133 326
> 151 days	82 860 643	68 184 867
Impairment	(73 443 238)	(59 667 701)
	21 014 904	**17 057 549**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	24 927 100	19 833 518
31 - 60 days	15 079 834	11 998 434
61 - 90 days	11 826 381	9 409 789
91 - 120 days	7 442 873	5 922 003
121 - 150 days	13 966 430	11 112 542
> 151 days	306 956 996	244 233 667
	380 199 614	**302 509 953**

Industrial/ commercial		
Current (0 -30 days)	4 480 652	3 107 466
31 - 60 days	3 088 407	2 141 903
61 - 90 days	1 796 003	1 245 582
91 - 120 days	1 176 889	816 208
121 - 150 days	1 994 362	1 383 150
> 151 days	20 376 260	14 131 545
	32 912 573	**22 825 854**

National and provincial government		
Current (0 -30 days)	1 548 338	948 507
31 - 60 days	477 621	292 589
61 - 90 days	218 953	134 130
91 - 120 days	227 348	139 273
121 - 150 days	369 953	226 632
> 151 days	2 599 211	1 592 269
	5 441 424	**3 333 400**

Total		
Current (0 -30 days)	30 956 090	23 889 491
31 - 60 days	18 645 862	14 432 926
61 - 90 days	13 841 338	10 789 501
91 - 120 days	8 847 111	6 877 484
121 - 150 days	16 330 745	12 722 324
> 151 days	339 451 613	269 861 438
	428 072 759	338 573 164
Less: Allowance for impairment	(290 107 786)	(230 439 865)
	137 964 973	**108 133 299**

Less: Allowance for impairment		
Total	(289 910 006)	(230 439 865)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(230 439 865)	(181 689 641)
Contributions to allowance	(59 470 141)	(48 750 224)
	(289 910 006)	**(230 439 865)**

16. Receivables from non exchange transactions

Gross balances		
Property Rates	177 555 560	154 517 616

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Receivables from non exchange transactions (continued)

Less: Allowance for impairment		
Property Rates	(105 558 813)	(91 928 414)

Net balance		
Property Rates	71 996 747	62 589 202

Property Rates		
Current (0 -30 days)	12 624 304	11 021 697
31 - 60 days	14 166 031	12 367 708
61 - 90 days	5 279 406	4 609 260
91 - 120 days	4 992 232	4 358 488
121 - 150 days	4 849 364	4 233 756
> 151 days	135 557 216	117 926 761
Impairment	(105 471 806)	(91 928 468)
	71 996 747	**62 589 202**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	7 019 076	6 071 088
31 - 60 days	3 523 751	3 047 838
61 - 90 days	2 902 786	2 510 739
91 - 120 days	2 142 655	1 853 270
121 - 150 days	3 883 847	3 359 299
> 151 days	67 393 401	58 366 586
	86 865 516	**75 208 820**

Industrial/ commercial		
Current (0 -30 days)	5 351 723	4 767 603
31 - 60 days	4 185 182	3 728 385
61 - 90 days	3 101 493	2 762 977
91 - 120 days	2 918 582	2 600 030
121 - 150 days	5 558 653	4 951 947
> 151 days	61 327 408	54 633 756
	82 443 041	**73 444 698**

National and provincial government		
Current (0 -30 days)	248 923	183 005
31 - 60 days	216 916	159 474
61 - 90 days	215 311	158 294
91 - 120 days	212 063	155 906
121 - 150 days	382 158	280 958
> 151 days	4 252 544	3 126 419
	5 527 915	**4 064 056**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(91 928 414)	(74 448 456)
Contributions to allowance	(13 392 840)	(17 479 958)
	(105 321 254)	**(91 928 414)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 545	16 422
Bank balances	59 397 711	73 104 429
Short-term deposits	31 846 916	19 333 553
	91 260 172	**92 454 404**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Current- 1470 000 038	60 099 123	73 924 739	78 002 720	59 413 256	73 104 429	75 899 251
ABSA BANK - Call Account - 407 289 4439	25 139 217	13 005 762	12 174 990	25 546 516	13 005 762	12 174 990
ABSA BANK - Fixed Account - 206 915 8294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
ABSA BANK - Call Account - 4097 484 845	123 211	43 813	450 000	-	16 733	43 813
Total	**91 661 951**	**93 274 714**	**96 928 110**	**91 260 172**	**92 427 324**	**94 418 454**

- Cash and cash equivalents above were not pleadged as collateral

18. Finance lease obligation

Minimum lease payments due		
- within one year	15 397 612	15 397 612
- in second to fifth year inclusive	44 909 702	60 307 314
	60 307 314	75 704 926
less: future finance charges	(14 344 085)	(21 568 696)
Present value of minimum lease payments	**45 963 229**	**54 136 230**

Present value of minimum lease payments due		
- within one year	9 422 398	8 173 001
- in second to fifth year inclusive	36 540 831	45 963 229
	45 963 229	**54 136 230**

Non-current liabilities	36 520 834	45 963 232
Current liabilities	9 442 397	8 173 000
	45 963 231	**54 136 232**

- Finance lease payments represent capital redemption payable by the Municipality for Zeeland Water Treatment Works. The Municipality entered into a contract with EXXARO for the contraction of the Water Treatment Plant on finance lease basis which is repayable over 15 years.Interest rate charged is based on EXXARO's weighted average cost of capital calculated using the their Audited annual financial statements .In the current year interest rate remained unchanged at 14.3%.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	21 245 590	1 867 167
Electrification grant	-	804 410
	21 245 590	**2 671 577**

Movement during the year

Balance at the beginning of the year	2 671 577	16 296 746
Additions during the year	76 368 413	108 704 985
Income recognition during the year	(55 927 233)	(117 030 154)
Paid back to National Treasury	(1 867 167)	(5 300 000)
	21 245 590	**2 671 577**

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

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

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

20. Other financial liabilities

DWS liability	20 524 373	-
DBSA loan	-	711 605
	20 524 373	**711 605**

DWS liability	82 097 494	-

The last installment of the DBSA loan was paid during 2022/23FY and the loan is fully settled.

Non-current liabilities		
DWS liability	82 097 494	-

Other non current finacial liabilities relates to debt owned to the Department of Water and sanitation for extraction of raw water from Mogol dam. Long term settlement agreement was signed between two parties.

Current liabilities		
Loan from DBSA	-	711 605
DWS Liability	20 524 373	-
	20 524 373	**711 605**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Provisions for landfill

Reconciliation of provisions for landfill - 2023

	Opening Balance	Change in discount factor	Interest unwinding	Total
Environmental rehabilitation	43 613 836	(19 037 450)	4 626 776	29 203 162

Reconciliation of provisions for landfill - 2022

	Opening Balance	Change in discount factor	Interest unwinding	Total
Environmental rehabilitation	51 630 887	(12 572 704)	4 555 653	43 613 836

Environmental rehabilitation provision

Liabilities are present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits6. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of the National Environmental Management Act, Act 107 of 19987, Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The technical requirements for final decommissioning and rehabilitation of landfills are embodied in the Minimum Requirements for Waste Disposal by Landfill, as amended by more recent regulations.The final decommissioning and rehabilitation of landfills clearly represents a present legal obligation as a result of past events (opening and operation of the landfill) and will certainly result in an outflow of economic resources

The valuation of the provision for landfill site was determined by an independant expert. The valuation was determined as at 30 June 2023.

22. Revenue

	2023	2022
Service charges	255 666 083	256 774 501
Rental of facilities and equipment	195 487	155 910
Interest received (trading)	40 865 122	31 529 803
Agency fees	8 816 975	10 372 970
Other income 2	4 343 566	6 970 816
Interest received - investment	9 010 902	4 193 329
Property rates	106 601 780	96 812 154
Property rates - penalties imposed	13 705 213	13 683 231
Government grants & subsidies	258 210 835	300 652 037
Public contributions and donations	-	921 500
Fines, Penalties and Forfeits	465 200	513 969
	697 881 163	**722 580 220**

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

	2023	2022
Service charges	255 666 083	256 774 501
Rental of facilities and equipment	195 487	155 910
Interest received (trading)	40 865 122	31 529 803
Licences and permits	8 816 975	10 372 970
Other income	4 343 566	6 970 816
Interest received - investment	9 010 902	4 193 329
	318 898 135	**309 997 329**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Revenue (continued)

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

Taxation revenue		
Property rates	106 601 780	96 812 154
Property rates - penalties imposed	13 705 213	13 683 231
Transfer revenue		
Government grants & subsidies	258 210 835	300 652 037
Public contributions and donations	-	921 500
Fines, Penalties and Forfeits	465 200	513 969
	378 983 028	**412 582 891**

23. Inventory Consumed

Spare parts and consumables	13 832 302	12 513 778
Water Purchases	32 790 534	31 830 729
	46 622 836	**44 344 507**

24. Service charges

Sale of electricity	159 315 432	172 034 145
Sale of water	53 501 546	44 137 326
Solid waste	19 120 942	17 949 668
Sewerage and sanitation charges	23 728 163	22 653 362
	255 666 083	**256 774 501**

25. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	195 487	155 910

Operating lease rentals relates to the houses rented out to executive managers.

26. Fines, Penalties and Forfeits

Municipal Traffic Fines	465 200	513 969

27. Agency fees

Road and Transport	8 816 975	10 372 970

28. Lease rentals on operating lease

29. Other revenue

Other income	4 343 566	6 970 816

Other revenue consists of Sale of tender documents, cemetry , admin fees, library fees, advertisement , building fees and clearance certificates fees

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. Interest -transfers

DWS interest transfer	27 517 089	-

- Municipality signed a long term settlement agreement with the department of water and sanitation. The interest that was charged by the department on over due accounts in the previous year was conditionally written off . Interest will be written off upon the full settlement of historical debt over a five year period. Munciplaity has paid amount of R11 402 400 as a deposit upon signing of the agreement. The first installment amounting to R6 841 000 was paid in july 2023 in line with the agreement.

  The payments are made in three equal installments annually that are aligned to receipt of equitable share grant. Municiplaity has increase the water tariff in the prior year by 30% in order to service the current account.During the 2022/23 financial year, municipality did not default in termd of servicing the current account.

31. Investment revenue

Interest revenue		
Interest on short term invetments	8 710 277	3 848 359
Interest on primary bank	300 625	344 970
	9 010 902	**4 193 329**

32. Property rates

Rates received

Residential	106 601 780	96 812 154
	106 601 780	96 812 154
Property rates - penalties imposed	13 705 213	13 683 231
	120 306 993	**110 495 385**

Valuations

Residential	6 182 438 000	6 172 528 000
Commercial	3 416 961 100	3 198 581 100
State	250 729 600	75 789 600
Municipal	730 123 700	730 123 700
Agricultural	0 661 371 500	0 484 334 000
Sectional Title	1 045 919 000	1 060 109 000
Exempted	548 195 000	531 625 000
	2 835 737 900	**2 253 090 400**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions

The different rates are applied on property rate valuations to determine assessmemnt rates. Rebate of R30 000 is granted to each residential property owners.
Rates are livied on an annual basis with the final date of payment being 30 June each financial year. Interest is levied at 18% per annum on over due account..

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Transfers and subsidies

Transferes paid	581 154	545 121
Beneficiaries paid		
Mogol Club	227 574	200 000
SPCA Lephalale DBV	113 787	150 000
AGRI Lephalale	113 787	195 121
Donations to tradditional councils	126 006	-
	581 154	**545 121**

Figures in Rand	2023	2022

34. Government grants & subsidies

Operating grants		
Equitable share	202 071 000	180 343 357
Financial Management Grant	1 650 000	1 650 000
Local Government SETA	204 802	271 895
EPWP	1 293 000	1 220 000
	205 218 802	**183 485 252**
Capital grants		
Municipal Infrastructure Grant	29 930 410	48 876 166
Water Service Infrastructure Grant	8 057 213	42 595 029
Electrification Grant	11 004 410	25 695 590
Energy Efficiency Grant	4 000 000	-
	52 992 033	**117 166 785**
	258 210 835	**300 652 037**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 867 167	5 203 128
Current-year receipts	51 177 000	46 014 000
Conditions met - transferred to revenue	(29 923 610)	(49 349 961)
Paid back to National Treasury	(1 874 967)	-
	21 245 590	**1 867 167**

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

Municipal infrastructure grant is for is meant for contruction and refurbishment of infrastructure. The grant also covers cost for the project management limited to 5% of the total annual allocation.

Municipality applied for rollover on the unspend amount as the funds were already committed.

Water Service Infrastructure Grant

Balance unspent at beginning of year	(9 563 678)	5 398 261
Current-year receipts	13 877 948	33 049 090
Conditions met - transferred to revenue	(7 425 652)	(42 711 029)
Paid back to National Treasury	-	(5 300 000)
	(3 111 382)	**(9 563 678)**

Municipality was funded under schedule 6B of the DoRA. Under this section funds are only transfered to municipality after the conditions of the grants were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non exchange transaction to avoid offsetting against other unspent conditional grants receipts.

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

34. Remuneration of councillors (continued)

Financial management grant is meant for the support of the financial administration of the municipality such as mSCOA and financial management interns.

EPWP Grant

Current-year receipts	1 292 000	1 220 000
Conditions met - transferred to revenue	(1 292 000)	(1 220 000)
	-	-

Equitable Conditional Grant

Balance unspent at beginning of year	-	5 695 357
Conditions met - transferred to revenue	-	(5 695 357)
	-	-

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

Provide explanations of conditions still to be met and other relevant information.

Electrification Grant

Balance unspent at beginning of year	804 410	-
Current-year receipts	10 200 000	26 500 000
Conditions met - transferred to revenue	(11 004 410)	(25 695 590)
	-	**804 410**

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

The grant is meant for the electrification programme

Energy Efficient Grant

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

Local government SETA

Current-year receipts	204 802	271 895
Conditions met - transferred to revenue	(204 802)	(271 895)
	-	-

Figures in Rand	2023	2022

35. Public contributions and donations

Donation Received from EXXARRO	-	921 500

The donation was received from EXXARRO mine in the form of Water tankering truck.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. Employee related costs

Basic	120 057 483	120 283 439
Bonus	9 997 756	9 576 965
Medical aid - company contributions	11 311 207	10 977 325
UIF	898 535	911 338
Leave pay provision charge	8 857 679	7 300 799
Overtime payments	12 460 478	12 009 494
Travel, motor car allowance and other allowances	9 605 610	10 219 203
Housing benefits and allowances	495 077	424 452
Stand by allowances	2 610 262	1 951 453
Phones allawances	1 088 494	1 138 834
Defines contributions plan	25 862 110	27 480 495
	203 244 691	**202 273 797**

Remuneration of municipal manager

Annual Remuneration	867 148	977 736
Car Allowance	115 934	149 874
Performance Bonuses	62 645	-
Contributions to UIF, Medical and Pension Funds	146 239	197 796
Other	277 094	126 220
	1 469 060	**1 451 626**

Ms MM Cocquyt was appointed as the accounting officer on 01 July 2020 on a fixed term contract of 5 year but not exceeding 12 months into the term of the next council. Her Employement contract ended on 30 November 2022 and was re-appointed on a fixed term contract of 5 years starting from January 2023.

Remuneration of chief finance officer

Annual Remuneration	861 578	709 200
Car Allowance	134 937	142 442
Performance Bonuses	67 369	59 100
Contributions to UIF, Medical and Pension Funds	208 369	201 366
Other	103 811	136 829
	1 376 064	**1 248 937**

Ms LM Matlwa was appointed as the Chief Financial Officer on 01 June 2020 for a fixed term contract for 5 years

Remuneration of executive Manager -Infrastructure Services

Annual Remuneration	591 547	630 000
Car Allowance	117 904	155 785
Performance Bonuses	56 000	52 500
Contributions to UIF, Medical and Pension Funds	105 017	158 929
Other	70 467	136 304
	940 935	**1 133 518**

Mr MC Masoga was appointed as Executive manager infrastructure services on 01 August 2020 on a fixed term contract for 5 years

Mr MC Masoga was placed on special leave since December 2022 and Mr R.J Ngobeli was appointed at an acting capicity.

Remuneration of executive manager-Strategic support services

Annual Remuneration	443 510	76 177

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. Employee related costs (continued)

Car Allowance	57 309	5 387
Contributions to UIF, Medical and Pension Funds	81 864	17 280
Other	88 160	54 572
	670 843	**153 416**

Mr MG Makgamatha was appointed as the Executive Manager Strategic Support Services on 01 March 2020 on a fixed contract term for 5 years and passed away in July 2021.Mr MC Seanego has been appointed to act and paid acting allowance of R65 260 (2022: R121 857,51) and was included in the general staff cost

Ms M Kgwantha was appointed as Executive Manager Strategic support services on 01 December 2022 for a fixed term period of 5 years

Executive Manager -Social services

Annual Remuneration	494 458	-
Car Allowance	89 372	-
Contributions to UIF, Medical and Pension Funds	83 920	-
Other	(66 873)	-
	600 877	**-**

Ms Mmope M was appointed as executive manager social services on 01 December 2022 for a fixed term period of 5 years. Before her appointment Mr JR Teffo was acting on the position and was paid acting allowance of R59 117 (2022: 142 071) and was included in the general staff cos

Executive Manager Corporate support services

Annual Remuneration	370 449	-
Car Allowance	63 976	-
Contributions to UIF, Medical and Pension Funds	63 259	-
Other	79 375	-
	577 059	**-**

Ms PF Raphela was appointed on 01 January 2023 as executive manager corporate support services for a fixed term period of 5 years .Before her appointment Mr Moalushi PJ was acting on the position and was paid acting allowance of R 69 424 (2022: 92 404) and was included in the general staff cos

Executive Manager- Development Planning

The position of executive manager planning and development has been vacant during the financial year 2022/23 and Mr TBO Mabale has been appointed to act and he was paid acting allowance of R118 775 (2022: 30 031.23) and was included in the general staff cos

Reconciliation of employee related cost

staff	203 244 690	202 186 958
Section 54A and Section 56	5 634 842	4 283 586
	208 879 532	**206 470 544**

37. Remuneration of councillors

Councillors	13 304 795	12 077 627

38. Depreciation and amortisation

Property, plant and equipment	87 737 833	86 906 259

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Finance costs

Interest on land fill site provisiosn	4 626 776	4 555 653
Trade and other payables	-	8 962 996
Finance leases	7 260 611	8 047 290
Interest on Employee benefits provisions	10 548 000	8 096 000
	22 435 387	**29 661 939**

Municipality was not charged interest on DWS liability as a long term settlement agreement signed with the Department of Water and sanitation. parties agreed to freeze interest.

40. Additional disclosure in terms of Municipal Finance Management Act

Audit Fee charged	4 671 573	4 460 351
Amount paid	(4 671 573)	(4 460 351)
	-	-

Pension and Medical aid

Current year subscription fee	58 289 985	56 189 614
Amount paid -Current year	(58 289 985)	(56 189 614)
	-	-

Pay as you earn

Current year subscription fee	37 005 242	35 204 100
Amount paid -Current year	(37 005 242)	(35 204 100)
	-	-

Contribution to organised local government

Current year subscription fee	2 538 768	2 289 686
Amount paid -Current year	(2 538 768)	(2 289 686)
	-	-

41. Debt impairment

Debt impairment	2 074 845	-

Debt Impairment-water	17 964 136	22 159 380
Debt impairment -Electricity	13 772 758	3 988 490
Debt impairment -Property Rates	13 392 846	17 479 959
Debt impairment -Refuse removal	6 519 686	6 083 456
Debt Impairment -Sewerage	11 661 070	10 160 254
Debt impairment -Traffic fines	(187 708)	177 005
	63 122 788	**60 048 544**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Operating expenses

Advertising	735 318	2 071 532
Auditors remuneration	4 671 573	4 460 351
Bank charges	1 634 118	1 582 016
Electrification of Villages	9 565 217	20 077 739
Insurance	2 717 100	2 562 380
Conferences and seminars	1 630 819	1 836 509
Licences and Software	11 035 344	7 959 641
Skills developement Levies	2 059 375	1 782 170
Fuel and oil	9 438 476	6 644 639
Printing and stationery	1 058 795	2 431 227
Protective clothing	2 851 538	2 601 023
Subscriptions and membership fees	2 521 247	2 301 545
Travel - local	2 496 387	1 667 959
Municipal consumption	7 178 693	7 791 461
COIDA Registration	944 167	545 369
Remuneration of ward committee members	736 045	465 046
Other operating expenditure	12 962 046	12 723 665
EPWP programme	1 292 000	1 355 004
	75 528 258	**80 859 276**

43. Bulk purchases

Electricity - Eskom	139 206 923	124 063 033

44. Contracted services

Outsourced Services		
Debt collection	5 648 558	4 857 747
Security Services	15 571 035	14 416 806
Other contracted services	4 184 236	2 989 965
Consultants and Professional Services		
Business and Advisory	5 955 706	5 165 587
Laboratory Services	970 560	1 187 464
Legal Cost	4 863 247	6 585 013
Contractors		
Maintenance of Assets	5 728 182	2 662 510
Prepaid Electricity and Meter reading	4 565 100	7 852 694
	47 486 624	**45 717 786**

Figures in Rand	2023	2022

45. Cash generated from operations

Surplus	42 901 130	27 781 665
Adjustments for:		
Depreciation and amortisation	87 737 833	86 906 259
Fair value adjustments	(3 791 000)	-
bad debts written off	2 074 845	-
Debt impairment	63 070 552	60 048 463
Acturial gain/losses	(20 639 350)	4 104 000
Interest transfer	(27 518 357)	-
Changes in working capital:		
Inventories	(1 142 157)	(5 858 527)
Consumer debtors	(29 831 674)	(26 793 182)
Other receivables from non-exchange transactions	(9 407 545)	(35 978 211)
Other receivables from non exchange transactions receivables	5 292 729	(9 739 912)
Sundry receivables	(41 085)	126 430
Payables from exchange transactions	(50 788 870)	22 989 197
VAT	(9 580 490)	(8 714 219)
Unspent conditional grants and receipts	18 574 013	(13 625 169)
Consumer deposits	1 802 512	574 364
	68 713 086	**101 821 158**

46. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Impairment on trade and other receivables	65 197 633	60 048 463
Depreciation on property, plant and equipment	(84 289 987)	(86 906 259)
Actuarial gain/(Losses)	20 639 350	(4 104 000)
Fair value adjustment	3 791 000	-
Transfer of infrastructure assets	-	(15 201 396)

47. Fair value adjustments

Investment property (Fair value model)	3 791 000	-

48. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	Total
Receivables from non-exchange transactions	69 356 747	69 356 747
Receivables from exchange transactions	137 964 973	137 964 973
Other receivables from non-exchange transactions	5 476 524	5 476 524
Sundry receivables	100 825	100 825
Cash and cash equivalents	91 260 172	91 260 172
VAT receivables	30 287 344	30 287 344
	334 446 585	**334 446 585**

Financial liabilities

	At fair value	At amortised cost	Total

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Financial instruments disclosure (continued)

Finance lease	-	45 963 232	45 963 232
DWS liability	-	82 097 494	82 097 494
Unspent conditional grant and receipts	21 245 590	-	21 245 590
Consumer deposits	12 194 644	-	12 194 644
	33 440 234	**128 060 726**	**161 500 960**

2022

Financial assets

	At fair value	Total
Receivables from exchange transactions	108 133 299	108 133 299
Receivables from non-exchange transactions	60 789 202	60 789 202
Cash and cash equivalents	92 454 404	92 454 404
Other receivables from non-exchange transactions	11 400 814	11 400 814
Sundry receivables	59 740	59 740
VAT receivables	20 706 854	20 706 854
	293 544 313	**293 544 313**

Financial liabilities

	At fair value	At amortised cost	Total
Finance lease liability	-	54 136 232	54 136 232
DBSA loan	-	711 605	711 605
Consumer deposits	10 392 132	-	10 392 132
Unspent conditional grant and receipts	2 671 577	-	2 671 577
Trade and other payables from exchange transactions	244 698 151	-	244 698 151
	257 761 860	**54 847 837**	**312 609 697**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure Assets	86 572 182	45 103 410
• Community Assets	28 514 964	31 602 828
• Other	825 479	1 957 260
	115 912 625	**78 663 498**

Total capital commitments		
Already contracted for but not provided for	115 912 625	78 663 498

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure Assets	31 262	900 970
• Community Assets	434 250	3 014 091
• Other	88 555 336	41 182 225
	89 020 848	**45 097 286**

Total operational commitments		
Already contracted for but not provided for	89 020 848	45 097 286

Total commitments

Total commitments		
Authorised capital expenditure	115 912 625	78 663 498
Authorised operational expenditure	89 020 848	45 097 286
	204 933 473	**123 760 784**

This committed expenditure relates to capital expenditure as well as operational expenditure and will be financed by existing cash resources, funds internally generated and grants.

Commitments amount above are VAT exclusive

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	487 974	852 339
- in second to fifth year inclusive	-	426 169
	487 974	**1 278 508**

Operating lease payments represent rentals payable by the municipality for photocopy machines from Edu books shop solution cc. The lease period is for a period of three year ending in November 2023. No contingent rental is payable. There are no escalation clauses relating to rental agreement and the lease period is three years without renewal option. The lease items may not be sub leased.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Contingencies

The principal amounts of contingent liabilies are shown in a table below. The total financial exposure from each case was estimated by adding interest to the principal amount .Interest rates applicable are included in each summon. The total financial exposure was included under the nature of the litigations.

Contingent liabilities		
KP Paul , E Paul VS Lephalale local Municipality	227 573	227 573
Rhine Vhane Civil Construction CC & Johan Ferdinard //Lephalale Municipality	6 127 518	6 172 518
Johan Ferdinard // Lephalale Muncipality	2 600 000	2 600 000
Edward James Daniel De Villers // Lephalale Municipality	2 774 200	2 774 200
Edward James Daniel De Villers // Lephalale Municipality	19 808 774	19 808 774
Christiaan Lourens Erasmus // Lephalale Municipality	8 899 716	8 899 716
French Rural Development	34 829 250	34 729 050
Mmalerepo Investment // Lephalale Municipality	8 500 000	8 500 000
Ms NM Pudikabekwa // Lephalale Municipality	361 195	361 195
Tseantse Manufacturers // Lephalale Municipality	-	942 584
Leopiet Otwekkeling // Lephalale Municipality	174 650 031	174 650 031
Global Strake // Lephalale Municipality	1 222 218	1 222 218
Liesel & Pieter Cronje // Lephalale Municipality	-	1 400 000
Mr MP Maloba // Lephalale Municipality	478 605	-
Mokgotho Building Construction	1 153 868	-
Bhelela Technology	8 296 330	-
Sealab	700 000	-
	270 629 278	**262 287 859**

1.KP Paul and E Paul
KP Paul and E Paul are suing the Municipality for damages of R227 573. They claim that they suffered a loss due to the Municipality not supplying them with electricity due to infrastructure capacity constraints. The matter has been postponed indefinitely to allow the attorneys of Council to amend its plea as new facts arose after the plea was filed. The total financial exposure is estimated at R455 146 , taking into account the interest calculated at 15.5% from inception of the case.

2.Rhine Vhane Civil Construction CC and Johan Ferdinard Bernard
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 127 518 plus interest as unjust enrichment. The matter is still ongoing. Exchange of pleadings is still underway. The total financial exposure taking interest into account is estimated to be R 12 255 036

3. Johan Ferdinard Barnard
The Municipality sold stands in extention 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 plus interest as unjust enrichment. The matter is at pleading stage and parties are exchanging pleadings. The total financial exposure taking interest into account is estimated to be R5 200 000

4. Edward James Daniel De Villiers
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage.The estimated financial exposure is R45 105 888 which consists of principal amount plus interest.

50. Contingencies (continued)

5. Christaan Lourens Erasmus

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to concil. Christaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage. The estimated financial exposure is R17 799 432 taking into account the principal amount plus interest charged from inception date

6. French Rural Development

In 2016 French Rural development issued summons in high to compel the Municipality to transfer the stand it is occupying or alternatively pay the damages amounting to R34 729 050.00 The matter is still ongoing and the parties are exchanging pleadings . The total financial exposure taking into account interest charged is estimated at R69 458 100

7. Mmalerepo Investment

Mmalerepo Investment was one of the service providers that were appointed by the Municipality on an as and when required basis for the repairs and maintenance of municipal sewer pumps. They were then never given any order with regard to the appointment. As a result of that they issued summons against the Municipality in the Polokwane High Court for the amount of R8 500 000.The financial exposure is estimated to R17 000000 which is the sum of the interest plus the principal amount

8. Ms NM Pudikabekwa

The Municipality disciplined Ms NM Pudikabekwa (Former Manager HR) for allegations of misconduct. Ms Pudikabekwa was then found guilty on all of the charges levelled against her and she was ultimately dismissed on 13th September 2019 as a municipal employee. Ms Pudikabekwa then appealed the decision of the disciplinary committee on the 25th September 2019.Should Ms Pudikabekwa win the appeal, the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceed six months salary so in this instance the possible financial liability at maximum will be half of employee's annual total cost to the Municipality which is R361 195. The total financial exposure that include both principal amount and interest is estimated at R722 390

9. Tsentse Manufacturers CC

In March 2020 Lephalale Municipality received summons from Tsentse Manufacturers for an outstanding invoice amount of R461 414.78 in respect of work done and amount of R481 169.54 which is the 5% retention in respect of the Witpoort RWS and Seleka Extentions Phase 5 project on the basis that 100% certificate was signed. The Municipality then appointed an attorney from the panel of attorneys to defend the matter.The attorneys entered appearance to defend for the work done by service provider, it was confirmed that only 80% of work was done and that the project has not been completed at 100%. The matter was settled and Municipality paid settlement amount after negotiations

10 .Leopiet Ontwekkeling

The Municipality received combined summons on 24 November 2020 from Thomas and Swanepoel Incorporated requesting the court for an order of damages in the amount of R174 650 031,00 plus 8.75% interest p.a . According to the particulars of claim, the plaintiff alleges that the Municipality has failed in its legal duty to maintain or upgrade the Paal sewer treatment works and its subject to sewerage disposal network leading to the consequential overflow from the sewerage system of contaminated water, wastage, and affluent material onto the plaintiff's immovable property. Further more, the plaintiff alleges that he has had no option but to sustain, maintain the spillage at his own costs including mitigating rentention dam and all cost associated with the spillage. The Municipality has appointed Mmakola Matsimela Attorneys to defend the matter and for such legal process have ensued. The notice of intention to defend has been served and we are now awaiting the response from opposing Attorneys.The total financial exposure that include both principal amount and interest is estimated at R349 300 062

11. Global Strake Security

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Contingencies (continued)

Lephalale Municipality appointed Global Strake Security in 2018 for provision of physical security at selected municipal sites. Global Strake Security issued summons for the amount of R1 222 218 against the municipality for damages allegedly suffered through provision of additional security services which the company offered at the mayor's residence. The Municipality did not authorize the services in question to be offered in terms of the contract and therefore appointed attorneys to defend the action. Mmakola Matsimela attorneys were appointed to defend the action.The matter is currently on pleadings stage.The total financial exposure that include both principal amount and interest is estimated at R2 444 436

12. Liesel & Pieter Cronje

Liesel & Pieter Cronje are co-owners of the property called Moshate guesthouse within the jurisdiction of Lephalale. The owners alleges that the property has been overbilled on electricity consumption due to an alleged faulty electricity meter. The owners then lodged the complaint with the Municipality however after deliberations, an agreement could not be reached. The owners then issued summons for an amount of R1.4 million for refund on overbilling of electricity consumption. The Municipality then defended the action and appointed Mmakalo Matsimela attorneys. The matter was settled in 2022/23 financial year

13. Maloba MP

Lephalale Municipality investigated the affairs of the municipal traffic divisions and specifically its effectiveness and efficiency. The report recommended that Manager Traffic Mr Maloba MP be disciplined for alleged various misconduct. Disciplinary hearing was instituted and concluded with a finding that Mr Maloba be dismissed from his employment by the Municipality. Mr Maloba then filed an appeal against the sanction of a dismissal.Should Mr Maloba win the appeal, the municipality may be ordered to either reinstate him to his position or alternatively reimburse him. Compensations never exceed six months salary so in this instance the possible financial liability at maximum will be half of employee's annual total cost to the Municipality which is R361 195.

14. Mokgotho Building Construction

Mokgotho Building Construction was appointed by the Municipality in 2016 for construction of a strongroom. They allege that during the construction of the project there was additional work that was done which the Municipality declined to pay despite various demands. They are claiming payment of R 1 153 868 for work done. They issued summons against the Municipality in the Polokwane High Court in June 2023 for payment of the amount.The total financial exposure that include both principal amount and interest is estimated at R2 307 736

15. Bhelela Technology

The Municipality advertised a tender for the appointment of a suitable service provider for the installation of prepaid electricity smart meters and appointed Bhelela Technologies in 2021. Due to poor performance the Municipality terminated the contract of Bhelela and readvertised the tender and appointed another service provider. Bhelela issued summons in Polokwane High Court claiming damages from the Municipality in the amount of R 8 296 330.The total financial exposure that include both principal amount and interest is estimated at R16 592 660

16. Sealab

Saeleb Trading (Pty) Ltd was appointed to render urgent service by fixing a sewage. They work was not compensated as the appointment process and the verification of the work done was not done according to the approved processes of the municipality. They have issued summons which remained undefended until they made an application for default judgment. The total financial exposure that include both principal amount and interest is estimated at R808 500

Contingent Assets

	2023	2022
Lephalale Municipality // Blue Horizon	11 785 394	11 307 114
Lephalale Municipality // Big Time Strategic Consultants	2 850 000	2 850 000
	14 635 394	**14 157 114**

1. Lephalale Municipality // Blue Horizon

Figures in Rand	2023	2022

50. Contingencies (continued)

Around 2008 the Municipality entered into service agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extention.In exchange for the service ,Blue Horizon was to contribute about R9 800 000 towards bulk services , which to date they have failed to pay. Despite demand by the Municipality ,Blue Horizon Investment has failed/refused to pay .The council has appointed an attorney to claim the money on its behalf. Blue horizon is currently undergoing as insolvency process.The Municipality has lodged claim of R11 307 114.31.The total claim taking into account the interest iis estimated at R 23 570788

2. Big Time Strategic Consultants// Lephalale Municipality

Lephalale Local Municipality conducted a forensic investigation through PWC and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time , the Company that was appointed to do IT infrastructure review and readiness for the implementation of mSCOA , was not appointed according to the prescribed method of appointing service providers and further they did not even finish their scope of work accordingly .

The report recommended that legal actions be taken to recover the amount spend on the project as the payments were irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and the default judgement in the amount of R2 850 000 was obtained.The Municipality's attorneys of record executed the judgement by attaching the properties of Big Time but the attached properties were not enough to cover the outstanding capital amount and the cost of recovery. The estimated financial exposure should be R2 850 000 being the estimated legal cost plus the amount claimed in the notice of motion by the applicant .The total claim taking into account the interest iis estimated at R 5 596 794

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Related parties

Relationships

Accounting Officer	MM Cocquyt
Executive Manager :Infrastructure	M Masoga
Chief Financial Officer	LM Matlwa
Executive Manager :Social Services	M Mmope
Executive Manager :Development Planning	Position Vacant
Executive Manager:Corporate Services	F Rapela
Executive Manager:Strategic Support Services	M Kgwantha

For the remuneration of the above key management personnel refer to employee related cost note

Related party transactions

	2023	2022
Rentals included in the rental of equipments and facilities		
MM Cocquyt	54 098	108 660
MG Makgamatha	-	12 600
M Masoga	39 096	34 650
M Kgwantha	3 110	-
M Mmope	19 317	-
F Raphela	18 658	-
Rentals receivables from related parties		
F Raphela	18 658	-
M Mmope	19 317	-
M Kgwantha	3 110	-

Councillors Remunerations

2022/23	Salary	Cellpjone	Travelling	Travelling subsidy		Total
Clr RA Mokgetlhe-Mayor	459 426	44 400	153 142	-	-	656 968
Clr GG Marakalala-Speaker	562 766	44 400	187 588	18 621	-	813 375
Clr SJ Machaba-Chief Whip	294 159	44 400	98 053	15 759	-	452 371
Clr N Pienaar -EXCO member and Chairperson of Governance, Admin and BTO	587 176	44 400	195 725	5 902	-	833 203
Clr W Motlokwa-Charperson of MPAC	291 140	44 400	97 047	110 520	-	543 107
Clr MM Makgae -Chairperson of chairpersons	287 957	44 400	95 985	8 548	-	436 890
Clr MM Semenya- Chairperson of Development planning	528 821	44 400	177 273	68 309	-	818 803
Clr MR Modiba-Chairperson of Infrastructure	530 239	44 400	176 746	28 227	-	779 612
Clr ML Shongwe -Chairperson of Social Services	566 650	44 400	189 883	11 800	-	812 733
Clr S Mpedi -Chairperson of Geographical name change	285 695	44 400	95 231	5 140	-	430 466

Notes to the Annual Financial Statements

51. Related parties (continued)

Clr KC Bopabe-Chairperson of the Ethics Committee	277 542	50 352	92 514	15 532	-	435 940
Clr B Kgageng-Moloantoa-Chairperson of Women in Caucus	285 695	44 400	95 231	67 193	-	492 519
Clr L Monare	288 599	44 400	96 199	10 876	-	440 074
Clr PKJ Selolo	230 771	44 400	76 923	-	-	352 094
Clr A Thulare	370 137	40 620	123 379	13 208	-	547 344
Clr EL Setho	222 618	44 400	74 206	25 690	-	366 914
Clr SM Nieuwouldt	222 618	45 680	74 206	-	-	342 504
Clr DA Mothoni	222 618	44 400	74 206	-	-	341 224
Clr SJ Moselane	222 618	44 400	74 206	5 701	-	346 925
Clr MJ Madibana	222 618	44 400	74 206	25 966	-	367 190
Clr RT Modise	224 881	38 700	80 660	110 617	-	454 858
Clr HW Venter	222 618	44 400	74 206	-	-	341 224
Clr E Seepe	222 618	44 400	74 206	9 132	-	350 356
Clr RM Magoai	222 618	44 400	74 206	-	-	341 224
Clr MW Langa	222 618	44 400	74 206	-	-	341 224
Clr DA Mongalo	222 618	44 400	74 206	11 475	-	352 699
Clr MJ Sebetha	222 618	44 400	74 206	-	-	341 224
Clr KL Mosupye	222 618	44 400	74 206	13 889	-	355 113
Clr LG Moloantoa	221 596	44 400	73 865	16 147	-	356 008
Subtotal	8 964 666	1 285 352	2 995 916	598 252	-	13 844 186
	8 964 666	**1 285 352**	**2 995 916**	**598 252**	**-**	**13 844 186**

2021/22	Salary	Cellphone	Travelling	Travelling subsidy		Total
Clr A Thulare-Mayor	629 199	(280)	209 733	-	-	838 652
Clr GG Marakalala-Speaker	355 989	26 293	118 663	2 157	-	503 102
Clr MR Modiba -EXCO Member and Chairperson of the Governance, Admin and BTO	411 585	40 800	137 842	9 968	-	600 195
Clr ML Shongwe -EXCO Member and Chairperson of infrastructure Services	436 612	40 800	146 538	4 598	-	628 548
Clr N Pienaar-EXCO Member and Chairperson of Social Services	340 278	40 800	113 426	-	-	494 504
Clr MM Semenya -EXCO Member and Chairperson of Planning and Economic Development	365 306	40 800	122 767	4 180	-	533 053
Clr SJ Machaba -Chief Whip	180 368	26 293	60 122	8 683	-	275 466
Clr L Monare -Chairperson of Chairpersons	280 431	40 800	93 476	1 839	-	416 546
Clr S Mpedi-Chairperson of Geographycal name change committee	180 722	26 293	60 240	3 237	-	270 492
Clr B Moloantoa- Chairperson of Women Caucus Committee	180 722	26 293	60 240	4 180	-	271 435
Clr W Motlokwa -Chairperson of Radical Socio Economic transformation Committee	364 938	40 800	121 645	29 998	-	557 381
Clr PKJ Selolo-Chairperson of the Ethics Committee	180 722	26 293	60 240	-	-	267 255
Clr MM Makgae-MPAC Chairperson	258 417	40 800	86 787	8 908	-	394 912
Clr RM Magoai	140 822	26 293	46 941	-	-	214 056
Clr E Seepe	140 822	26 293	46 941	1 815	-	215 871
Clr SJ Moselane	140 822	26 293	46 941	-	-	214 056
Clr DA Mothoni	140 822	26 293	46 941	-	-	214 056
Clr SM Nieuwoudt	216 254	42 080	72 085	3 576	-	333 995

Notes to the Annual Financial Statements

Figures in Rand					2023	2022

51. Related parties (continued)

Clr MW Langa	140 822	26 293	46 941	-	-	214 056
Clr EL Setho	140 822	26 293	46 941	-	-	214 056
Clr KC Bopape	140 822	26 293	46 941	1 839	-	215 895
Clr DA Mongalo	140 822	26 293	46 941	-	-	214 056
Clr TR Modise	218 517	40 800	72 839	3 996	-	336 152
Clr MJ Madibana	140 822	26 293	46 941	6 274	-	220 330
Clr KL Mosupye	140 822	26 293	46 941	1 839	-	215 895
Clr HW Venter	140 822	26 293	46 941	-	-	214 056
Clr RA Mokgetlhe	140 822	26 293	46 941	-	-	214 056
Clr TA Makopo	48 324	10 113	16 107	-	-	74 544
Clr SM Moloantoa	105 734	19 742	35 245	-	-	160 721
Clr LS Manamela	102 722	14 507	35 241	-	-	152 470
Clr P Molekwa	77 695	14 507	25 898	-	-	118 100
Clr MJ Marakalala	99 809	14 507	33 236	-	-	147 552
Clr AE Basson	77 695	14 507	25 898	-	-	118 100
Clr ME Maisela	99 709	14 507	33 236	-	-	147 452
Clr MJ Selokela	98 709	14 507	33 236	-	-	146 452
Clr MJ Maeko	245 508	14 507	80 736	-	-	340 751
Clr KR Molokomme	196 408	14 507	65 469	-	-	276 384
Clr NJ Motebele	99 709	14 507	33 236	-	-	147 452
Clr SL Seabi	77 695	14 507	26 546	-	-	118 748
Clr KM Mogohloana	77 695	14 507	26 546	-	-	118 748
Clr MF Mashita	77 695	14 507	25 898	-	-	118 100
Clr FM Mabasa	77 695	14 507	25 898	-	-	118 100
Clr MM Madibana	77 695	14 507	26 546	-	-	118 748
Clr KG Mbedzi	77 695	14 507	25 898	-	-	118 100
Clr MR Rangata	77 695	14 507	25 898	-	-	118 100
Clr MJ Sebetha	140 822	26 293	46 941	-	-	214 056
Subtotal	8 226 633	1 103 441	2 747 644	97 087	-	12 174 805
	8 226 633	**1 103 441**	**2 747 644**	**97 087**	**-**	**12 174 805**

Councillors whose municipal accounts were in arrears for more the 90 days at at 30 June 2023

	2023	2022
Clr RT Modise	3 328	-
Clr NH Pienaar	4 742	10 692

Both councillors have entered into payment arrangement to settle their outstanding debts

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Change in estimate

Property, plant and equipment

The useful life of certain items of property plant and equipments were reassessed in the current year according to the table below. The effect of these changes in estimates resulted in decrease in depreciation for the current year by R2 098 231 and increase in the future depreciation by the same amount.This change in estimate was prospectively accounted for.

Details of assessment	**before change in estimate**	**effect of change in estimate**			**After change in estimate**
Infrastructure	2 487 927	(1 884 710)	-	-	603 217
Buildings	780	(556)	-	-	224
Community	563 357	(111 042)	-	-	452 315
other property plant and equipment	166 829	(101 923)	-	-	64 906
	3 218 893	**(2 098 231)**	**-**	**-**	**1 120 662**

53. Reclassification

Building fees were reclassified into other revenue

The reclassification results in adjustments as follows:

Reclassification		
Building fees	-	1 086 865
Other revenue	-	(1 086 865)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Prior-year error

- **1. Refuse Removal revenue**
  It was discovered that some of the properties were not billed for the service charge relating to refuse removal in the previous financial year.

  2. Pump station 25 and replacement of AC pipes
  The project for the replacement of AC pipes and refurbishment of Pump station 25 was completed in 2021 and was erroneuosly not capitalised and depreciated after the project was commissioned.

  3. Highmast light
  The project for the highmast light was priviously capitalised at the wrong amount. The cost capitalised in 2022 financial year included the cost of other highmast lights that were still in progress.

  4. Smart meters
  It was discovered that some of the smart meters included in the fixed asset register were duplicated

  5. Completeness of Expenditure
  Some of the invoices for the services rendered in 2021/22 financial year were not accrued as they were paid after the financial year in which the service was received

  6. Unauthorised payroll deduction
  It was discovered that some of the thrid party deductions withheld by the Municipality were not authorised by the employees and were also not paid over to the thrid party. Money was paid back to employees in the year under review

  7.Electrification of Villages
  The Cost of Electrification for Villages were incorrectly capitalised in the previous financial years . Electrification projects for the villages are transfered to Eskom Upon completion as the licence holder for provision of electricity

  8. Interest on Finance Lease Liability
  Interest on finance lease liability was errorneuosly understated in the prior year

  9. Property rates
  It was discovered that municipality used incorrect tariff on one of the properties included in the valuation roll .The property was billed as government instead of business.

  The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Prior-year error (continued)

1.Refuse removal revenue		
Increase in accumulated surplus	-	(5 339 837)
Increase in receivable from exchange transactions	-	9 068 862
Increase in Service charges	-	(2 546 130)
Decrease in VAT receivables	-	(1 182 895)
	-	-

2. Pump Station 25 and replacement of AC pipes		
Increase in Infrastructure assets	-	2 430 488
Decrease in work in progress	-	(2 430 488)
Increase in depreciation	-	62 260
Increase in accumulated depreciation	-	(116 845)
Decrease in accumulated surplus	-	54 585
	-	-

3. Highmast lights		
Increase in work in progress	-	2 025 452
Decrease in infrastructure assets	-	(2 025 452)
	-	-

4. Smart meters		
Accumulated surplus	-	215 848
Property plant and equipment	-	(267 138)
Decrease in depreciation	-	(10 685)
Decrease in accumulated depreciation	-	61 975
	-	-

5. Completeness of expenditure		
Increase in trade payables from exchange transactions	-	(1 260 399)
Increase in contracted services	-	944 228
increase in operating expenditure	-	151 771
Increase in VAT receivables	-	164 400
	-	-

6. Unauthorised payroll deductions		
Accumulated Surplus	-	627 193
Trade payables from exchange transactions	-	(627 193)
	-	-

7. Electricication of Villages		
Increase in Operating expenditure	-	20 077 739
Decrease in WIP	-	(13 229 545)
Decrease in Transfer of infrastructure Assets	-	(15 201 396)
Accumulated Surplus	-	8 353 202
	-	-

8. Interest on Finance lease Liability		
Finance cost	-	1 193 035
Payables from Exchange transactions	-	(1 193 035)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Prior-year error (continued)

9. Property Rates

	2023	2022
Increase in property rates	-	(960 000)
Increase in Accumulated surplus	-	(840 000)
Increase in receivables fron non-exchange transactions	-	1 800 000
	-	-

Summary	2022 Audited amount	Correction of error	Reclassification		Restated amount
Finance Cost	28 468 904	1 193 035	-	-	29 661 939
Infrastructure assets	1 907 749 405	405 036	-	-	1 908 154 441
Work in progress	236 714 634	(13 634 581)	-	-	223 080 053
Smart meters	32 455 809	(267 138)	-	-	32 188 671
Receivables from exchange transactions	99 064 437	9 068 862	-	-	108 133 299
VAT receivables	21 725 349	(1 018 495)	-	-	20 706 854
Depreciation	86 854 684	51 575	-	-	86 906 259
Accumulated depreciation on infrastructure assets	(901 427 676)	(116 845)	-	-	(901 544 521)
Accumulated Surplus	(1 299 823 037)	3 070 991	-	-	(1 295 912 046)
Service charges revenue	(254 228 371)	(2 546 130)	-	-	(256 774 501)
Accumulated depreciation on smart meters	(10 319 278)	61 975	-	-	(10 257 303)
Trade payables from exchangetransactions	(242 810 557)	(3 080 627)	-	-	(245 891 184)
Contracted services	45 247 353	944 228	-	-	46 191 581
Operating expenditure	60 629 766	20 229 510	-	-	80 859 276
Building fees	(1 086 865)	-	1 086 865	-	-
Other revenue	(5 883 951)	-	(1 086 865)	-	(6 970 816)
Transfer of infrastructure assets	15 201 396	(15 201 396)	-	-	-
Receivables from non exchange transactions	60 789 202	1 800 000	-	-	62 589 202
Property rates	(95 852 154)	(960 000)	-	-	96 812 154
	(216 530 950)	**-**	**-**	**-**	**(22 066 642)**

55. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 1 367 434 841 and that the municipality's total liabilities exceed its assets by R 1 367 434 841.

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.

55. Going concern (continued)

The municipality is a going concern because of the following :
It is a state entity set up by the constitution of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government ein paying grants under the act. This is also corruborated by experiece where national treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted intergrated development plan wheich is a five year plan. Municipality has tabled a funded budget for the financial year 2023/24. This is an indication for the Municiplaitys intention to operate beyond the next 12 months period. The gearing ratios are above the norms as per national treasury MFMA circular 71.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

The Municipality has debt book of R 207,296,988.00 which includes property rate, electricity, water, sanitation, and refuse removal debtors and has already commenced with the implementation on the revenue enhancement strategies to recover these outstanding debts. Management has also procured an indigent Management system to assist in identifying those debts that are not recoverable and thus qualify for write-off.

The Municipality intents to improve the spending of conditional grants through forward planning and development of realistic procurement plan to ensure that procurement processes are concluded within a reasonable time. Municipality has applied for rollover of funds to continue with the project as planned. There is an unspent conditional grant of R21 000 000 in the financial year 2022/23. Management has applied for roll over and confidently believe that the rollover will be approved.

There are no substantial operating risks or operating factors that are significantly causing serious deterioration of value of assets that generate cash inflows.

Only 1 out of seven positions of Executive Management is currently vacant and Municipality has shown the intention to fill this Position. The Positions is advertised
The council has annually reviewed and approved its IDP which indicates that the Municipal plans to continue Its operations for a period of five years.
There are no Labour difficulties, nor threats of any labour protest

56. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	5 889 901	49 028 194
Add: Unauthorised expenditure - current	-	5 636 000
Less: Amount authorised - current	-	(48 774 293)
Closing balance	**5 889 901**	**5 889 901**

The remaining balance of Unauthorised expenditure was authorised by the council subsequent to year end , on 31 July 2023. The amount was incurred in 2021/22 financial year as a result of exceeding the budget for debt impairment.

57. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	21 078 724	19 616 237
Add: Fruitless and wasteful expenditure identified - current	844	1 474 230
Less: Amount recovered - current	(844)	(11 743)
Less: Amount written off - current	(19 616 237)	-
Closing balance	**1 462 487**	**21 078 724**

Fruitless and wasteful expenditure is presented inclusive of VAT

The fruitless and wasteful expenditure amounting to R19 616 237 was investigated during 2022/23 financial year.The amount investigated was emanated from the following:

Figures in Rand	2023	2022

57. Fruitless and wasteful expenditure (continued)

Marapong Reservoir that was constructed in 2013 at a cost of R8,5 million but could not be used by management as intended

Theft and Vandalism at Zongesien waste water Treatment plant to the value of R8 million.

Interest on ESkom account , R2 million

Payment for session that was not duely approved by accounting officer , R400 000.

Officials responsible for fruitless and wasteful expenditures above ,execpt for interest on late settlement of Eskom Account were charges and two official were dismissed , one resigned before desciplinary process could be completed and penalties were imposed on the other two officials. In total five officials were charged. Interst on Eskom account was incurred during 2015/16 and 2016/17 during which Municipality was facing financial problems, there was no sufficient cash to payt Eskom account when it was due at the time. Criminal cases were not opened with South African Police Services. The Council has suffered significant losses in all cases listed above.

58. Irregular expenditure

Opening balance as previously reported	277 943 668	431 338 467
Add: Irregular expenditure - current	5 337 144	19 111 446
Less: Amount written off - prior period	(224 064 855)	(172 506 245)
Closing balance	**59 215 957**	**277 943 668**

58. Irregular expenditure (continued)

Amount written-off

The MPAC though the used of service provider conducted investigations of irregular expenditure and made recommendations to council. The recomendations of MPAC were adopted by the council and irregular expenditure were written off as per the amount shown in the table above.

The investigations revealed that the council did not suffer any losses from the acts of non compliance that resulted in irregular expenditures written off. Although the council did not suffer material losses the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts.The council has adopted the recommendations of the investigation report and resolve accordingly

The Accounting officer intends to start with the disciplinary process of the officials implicated in the investigation report immerdiately after the investigation of the of the remain balance of R59 215 957 from the historical balance of irregular expenditure.

where the council suffered losses and there was no value for the money paid , the report recommended that the amount be recovered and was not written off. The amount of R323 842.40 was incorrectly billed and paid.The council resolved that the amount should be recovered from the service provider.

The accounting officer will take steps to recover the amount of R323 842 in after the final investigation of the historical balance

The following cases are under investigation for irregular procurement and their contracted amount are also shown

Construction of Mokoruanyane Shongoane RWS phase 5	R18 370 617
Planning Design and Supervision of Steve Biko access road	R3 133 421
Planning, design and supervision of Melvel access road	R3 174 600
Construction of Mokoruanyane shongoane RWS phase 4	R16 262 878
Refurbishment of Seleka Mmaletswai waster networ	R1 458 000
Supervision of Water steve Biko extention	R1 409 925
Provision of Debt collection Services	R4 153 400
Provision of Security Services	R6 671 428
Contruction of Seleka VIP toilets	R2 500 000
Supply and delivery of Protective clothing	R5 557 057
Supervision of refurbishment of Pump 25 and AC pipes replacement	R1 020 480
Development of Informal settlement control plan	R475 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

59. Deviation from supply chain management regulations

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

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

During the financial year 2022/23 , municipal manager has approved the diviations amounting to R5 262 772 (2022: R2 041 644) .The deviations approved were detailed below

Section 36(1)(a)(i) Emergency	2 105 712	-
Section 36(1)(a)(ii) Sole supplier	807 148	630 397
Section 36(1)(a)(iii) Impractical to follow official procurement process	2 349 912	1 411 247
	5 262 772	**2 041 644**

60. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

Lephalale Local Municipality renders registry and licence services on behalf of the Limpopo Department of Road and Transport.In terms of the agreement, Municipality is entitled to agency fees from the collected funds. Therefore Lephalale Local Municipality is an agent to the Limpopo Department of Road and Transport(Principal)

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 R8 816 975 (2022: R10372972

Liabilities and corresponding rights of reimbursement recognised as assets

The amount of R1 902 447 (2022: R1 370 719) was collected and not yet paid to the principal at the end of the yearand was included in the trade and payables from exchange transactions.

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

Total Collections	31 003 183	39 165 524
Amount Due to Municipality	(8 816 975)	(10 372 972)
Amount due to Principal -Limpopo department of transport	(22 186 208)	(28 792 552)
	-	**-**

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

61. Interest on outstanding receivables -Service charges

Water	15 366 159	13 306 774
Electricity	10 278 680	6 158 984
Sewerage	6 936 934	5 552 979
Refuse	8 283 346	6 511 063
	40 865 119	**31 529 800**

62. Distribution losses

Water Losses-The Municipality's water losses are as floows

Units Purchased (kl)	7 425 161	7 436 830
Units Sold (kl)	3 697 771	3 872 056
Average cost per Unit (Rands)	4.4	4.14
Losses (kl)	3 397 129	3 564 774
Water losses (%)	45.8% .	47,9%

Water losses are due to illigal connections and the ageing infrastructure. Municipality is in the process of replacing aspectos pipes and addressing illigal connections

Electrical losses are as follows

Units Purchased (kl)	83 719 594	103 638 000
Units Sold (kl)	75 377 540	87 106 319
Average cost per Unit (Rands)	1.66	1.21
Losses (kl)	8 342 054	16 531 682
Water losses (%)	10%	16%

Electricity losses are within the norm

63. Non-living resources

Management only identified water resources as non-living resources, and no other natural resources are prevalent within the municipality's jurisdiction. Municipality extracts water from Mogol Dam which belongs to the Department of Water and Sanitation.