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

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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community.
The following is included in the scope of operation	General Services - All types of services rendered by the municipality, excluding the supply of housing to the community Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Wastewater Management - Collection and purification of waste water.

Executive mayor and chairperson of mayoral committee

Executive mayor and chairperson of mayoral committee	Cllr N.G Taueatsoala
Speaker	Cllr P.L Olifant
Chief Whip	Cllr M.A Tsebe
MMC - Finance	Cllr R.G Selemela
MMC - Community Services	Cllr L.P Molekoa
MMC - Corporate Support Services	Cllr M.S Tefu
MMC - Municipal Public Accounts Committee	Cllr L.K Satege
MMC - Planning and Development Services	Cllr M.T Lebese
MMC - Technical Services	Cllr M.M Senoamadi
MMC - Traffic and Emergency	Cllr T.E Mashabane
Councillors	Cllr Alberts S
	Cllr Boshomane M.J
	Cllr Boya R.M
	Cllr Baloyi M.B
	Cllr Coetzee Y
	Cllr Dekker K.Q
	Cllr Dolo M.E
	Cllr Gumede M.J
	Cllr Hlako C.W
	Cllr Hlonyana M.D
	Cllr Kekana M.R
	Cllr Kgole G.P
	Cllr Laka L.E
	Cllr Ledwaba R.S
	Cllr Maartens M
	Cllr Mabe P.S
	Cllr Maepa M.R
	Cllr Majabodu K.S
	Cllr Malebana T.N
	Cllr Maluleke K.J
	Cllr Makhubele H.P
	Cllr Manganyi R.V
	Cllr Maponya T.H
	Cllr Marakalala C.N

General Information

	Cllr Marakalala L.S
	Cllr Marakalala M.P
	Cllr Maseko N.J
	Cllr Matlou L.E
	Cllr Matlou M.C
	Cllr Meteleni M.S
	Cllr Mmangokoane K.L
	Cllr Mogotle P.J
	Cllr Molebale M.J
	Cllr Molefe L.J
	Cllr Molekwa P
	Cllr Monama M.G
	Cllr Mphaho D.M
	Cllr Ncube M.J
	Cllr Ngoepe M.J
	Cllr Ngwenya M.B.M
	Cllr Ngwetjana L.N
	Cllr Nkgapele T.M
	Cllr Mkhona H.J
	Cllr Nxube T.G
	Cllr Ramela K.S
	Cllr Rapatsa M.M
	Cllr Sebajane R.P
	Cllr Sebele K.A
	Cllr Setsiba E.T
	Cllr Shadung F.J
	Cllr Shikwane M.J
	Cllr Thobane M.S
	Cllr Wild E
	Cllr Mokwele M.F
	Cllr Majoko S.C
	Cllr Patlweswane D
Grading of local authority	Grade 5 Local Municipality
Accounting Officer	Mr MM Maluleka
Chief Finance Officer (CFO)	Mr Ngoepe HSM (Acting)
Registered office	54 Retief Street Mokopane Mokopane 0600
Bankers	Standard Bank
Auditors	AGSA (Limpopo Region) Registered Auditors

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

ASB	**Accounting Standards Board**
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
COVID - 19	Coronavirus Disease
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWS	Department of Water and Sanitation
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
LG - SETA	Local Government Sector Education and Training
MIG	Municipal Infrastructure Grant (Previously CMIP)
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
WSIG	Water Services Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved by the accounting officer on and were signed on its behalf by:

Accounting Officer
Mr MM Maluleka

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in local government and operates principally in South Africa.

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

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on continued grant funding from the national government.

Key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, creditors payment period, debtors' collection period) due to the decrease in the collection rate as the economy faces a lot of pressure within the jurisdiction of Mokgalakwena Local Municipality

The poor collection rate has put pressure on the liquidity in the municipality which in turn affects the payment of creditors as they fall due. Despite the pressures, the municipality continues to honour its debt with delay here and there

Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims against the municipality. In such cases, the municipality like in the past enters arrangements to honour the obligations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements

4. Accounting policies

As included in Note 1 of the annual financial statements, the municipality has consistently applied the accounting policies that are compliant to GRAP standards.

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr MM Maluleka (Municipal Manager)	RSA	Appointed 01 September 2022
Mr HS Ngoepe ((Acting Municipal Manager)	RSA	Appointed 01 July 2022 - 31 August 2022

6. Bankers

Standard Bank is the municipality's bank. The municipality's bankers did not change during the current year.

7. Auditors

AGSA (Limpopo Region) will continue in office for the next financial period.

Accounting Officer's Report

8. Non-compliance with applicable legislation

The reported Unauthorised, Irregular and Fruitless Expenditure which was incurred in contravention of the applicable regulations.

The municipality was deemed non-compliant with Municipal Budget and Reporting Regulations (MBRR) because its budget was not funded.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on and were signed on its behalf by:

Accounting Officer
Mr MM Maluleka

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	8	396 598 889	361 473 355
Operating lease asset	7	9 029 965	7 033 796
Receivables from exchange transactions	9&12	174 950 006	128 447 239
Receivables from non-exchange transactions	10&12	27 393 838	17 116 711
VAT receivable	11	54 618 931	50 506 418
Cash and cash equivalents	13	40 344 078	68 224 446
		702 935 707	**632 801 965**
Non-Current Assets			
Investment property	3	193 791 947	197 746 885
Property, plant and equipment	4	4 238 358 956	4 131 085 705
Intangible assets	5	1 762 052	923 358
Heritage assets	6	5 867 835	5 867 835
Receivables from exchange transactions	9	27 070 285	19 153 113
Receivables from non-exchange transactions	10	12 436 850	25 502 952
		4 479 287 925	**4 380 279 848**
Total Assets		**5 182 223 632**	**5 013 081 813**
Liabilities			
Current Liabilities			
Operating lease liability	7	419 916	6 996
Payables from exchange transactions	16	436 737 609	389 554 482
VAT payable	17	161 015 328	149 083 548
Consumer deposits	18	23 329 130	24 713 595
Unspent conditional grants and receipts	14	5 495 422	62 278 000
Provisions	15	11 345 418	10 145 622
		638 342 823	**635 782 243**
Non-Current Liabilities			
Provisions	15	117 330 107	123 791 127
Total Liabilities		**755 672 930**	**759 573 370**
Net Assets		**4 426 550 702**	**4 253 508 443**
Accumulated surplus		4 426 550 702	4 253 508 443
Total Net Assets		**4 426 550 702**	**4 253 508 443**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		1 492 795	243 685
Service charges	20	494 351 380	421 183 070
Rendering of services		67 150	49 643
Rental of facilities and equipment	21	4 616 089	5 683 791
Licences and permits	23	12 219 941	13 650 820
Gains on sale of assets		755 559	4 249 245
Administration and management fees received		55 867	235 614
Other income	25	3 936 852	3 496 558
Interest received	26	61 638 802	53 462 038
Fair value adjustments	39	-	5 806 206
Total revenue from exchange transactions		**579 134 435**	**508 060 670**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	91 416 488	88 000 647
Interest received - property rates	27	14 740 376	13 442 499
Transfer revenue			
Government grants & subsidies	28	817 263 404	720 748 381
Fines, penalties and forfeits	22	2 224 536	806 925
Total revenue from non-exchange transactions		**925 644 804**	**822 998 452**
Total revenue	19	**1 504 779 239**	**1 331 059 122**
Expenditure			
Employee related costs	29	(332 952 725)	(355 775 551)
Remuneration of councillors	30	(13 785 616)	(17 570 003)
Depreciation and amortisation	31	(112 269 760)	(152 188 418)
Impairment loss	32	(30 776 068)	(346 593 290)
Finance costs	33	(18 253 710)	(9 842 114)
Lease rentals on operating lease	24	(2 078 253)	(110 415)
Debt impairment	34	(203 695 196)	(255 378 181)
Repairs and maintenance	38	(33 135 267)	(70 337 643)
Bulk purchases	35	(329 846 124)	(239 623 416)
Contracted services	36	(150 399 372)	(109 883 047)
Loss on disposal of assets and liabilities		(2 361 192)	(18 223 360)
Fair value adjustments		(3 954 938)	-
Inventories losses/write-downs		(3 746 125)	(5 254 680)
General expenses	37	(84 924 129)	(58 628 088)
Total expenditure		**(1 322 178 475)**	**(1 639 408 206)**
Surplus (deficit) for the year		**182 600 764**	**(308 349 084)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 359 544 840	4 359 544 840
Adjustments		
Prior year adjustments	202 312 687	202 312 687
Balance at 01 July 2021 as restated*	**4 561 857 527**	**4 561 857 527**
Changes in net assets		
Deficit for the period	(308 349 084)	(308 349 084)
Total changes	(308 349 084)	(308 349 084)
Restated* Balance at 01 July 2022	**4 253 508 443**	**4 253 508 443**
Changes in net assets		
Surplus for the year	182 600 764	182 600 764
Prior year adjustments	(9 558 505)	(9 558 505)
Total changes	173 042 259	173 042 259
Balance at 30 June 2023	**4 426 550 702**	**4 426 550 702**

Note(s)

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service charges		283 431 403	281 582 454
Grants		760 480 826	714 948 979
Interest income		76 379 178	66 904 537
Property rates and other receipts		51 788 402	121 348 053
		1 172 079 809	1 184 784 023
Payments			
Employee costs		(346 738 341)	(371 481 511)
Suppliers		(600 667 002)	(521 873 212)
Finance costs		(18 253 710)	(9 842 115)
		(965 659 053)	(903 196 838)
Net cash flows from operating activities	41	**206 420 756**	**281 587 185**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(234 301 124)	(286 388 084)
Net increase/(decrease) in cash and cash equivalents		**(27 880 368)**	**(4 800 899)**
Cash and cash equivalents at the beginning of the year		68 224 446	73 025 345
Cash and cash equivalents at the end of the year	13	**40 344 078**	**68 224 446**

* See Note 47

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						
Sales & rendering of services	1 654 915	150 000	**1 804 915**	1 559 945	**(244 970)**	N1
Service charges	520 086 000	-	**520 086 000**	494 351 380	**(25 734 620)**	N2
Agency services & licence and permits	9 897 000	-	**9 897 000**	12 219 941	**2 322 941**	N3
Rental of facilities and equipment	1 925 000	-	**1 925 000**	4 616 089	**2 691 089**	N4
Interest received - external investments	3 179 785	-	**3 179 785**	4 884 985	**1 705 200**	N5
Interest earned - Outstanding debtors	46 802 263	-	**46 802 263**	56 753 817	**9 951 554**	N6
Other income	2 542 616	(150 000)	**2 392 616**	3 936 852	**1 544 236**	N7
Gain on sale of assets	3 654 556	-	**3 654 556**	755 559	**(2 898 997)**	N8
Administration and management fees received	-	-	**-**	55 867	**55 867**	N9
Total revenue from exchange transactions	**589 742 135**	**-**	**589 742 135**	**579 134 435**	**(10 607 700)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	91 499 609	-	**91 499 609**	91 416 488	**(83 121)**	N11
Property rates - Interest received	-	-	**-**	14 740 376	**14 740 376**	N12
Transfer revenue						
Government grants & subsidies	817 758 000	(2 000 000)	**815 758 000**	817 263 404	**1 505 404**	N13
Fines, Penalties and Forfeits	3 803 402	-	**3 803 402**	2 224 536	**(1 578 866)**	N15
Total revenue from non-exchange transactions	**913 061 011**	**(2 000 000)**	**911 061 011**	**925 644 804**	**14 583 793**	
Total revenue	**1 502 803 146**	**(2 000 000)**	**1 500 803 146**	**1 504 779 239**	**3 976 093**	
Expenditure						
Employee related costs	(402 653 498)	12 028 707	**(390 624 791)**	(332 952 725)	**57 672 066**	N16
Remuneration of councillors	(21 493 290)	8 034 347	**(13 458 943)**	(13 785 616)	**(326 673)**	N17
Depreciation and amortisation	(99 640 987)	30 358 786	**(69 282 201)**	(112 269 760)	**(42 987 559)**	N18
Impairment loss/ Reversal of impairments	-	-	**-**	(30 776 068)	**(30 776 068)**	N19
Finance costs	(718 635)	(2 170 081)	**(2 888 716)**	(18 253 710)	**(15 364 994)**	N20
Lease rentals on operating lease	-	-	**-**	(2 078 253)	**(2 078 253)**	N21
Debt Impairment	(127 925 889)	32 227 609	**(95 698 280)**	(203 695 196)	**(107 996 916)**	N22
Bulk purchases	(296 500 831)	7 912 898	**(288 587 933)**	(329 846 124)	**(41 258 191)**	N23
Contracted Services	(159 779 700)	(63 555 709)	**(223 335 409)**	(150 399 372)	**72 936 037**	N24
Other materials	(46 061 636)	(4 073 605)	**(50 135 241)**	(33 135 267)	**16 999 974**	N25
General Expenses	(77 415 594)	(12 541 617)	**(89 957 211)**	(84 924 129)	**5 033 082**	N26
Total expenditure	**(1 232 190 060)**	**8 221 335**	**(1 223 968 725)**	**(1 312 116 220)**	**(88 147 495)**	
Operating surplus	**270 613 086**	**6 221 335**	**276 834 421**	**192 663 019**	**(84 171 402)**	

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
Loss on disposal of assets and liabilities	-	-	-	(2 361 192)	**(2 361 192)**	N27
Fair value adjustments	-	-	-	(3 954 938)	**(3 954 938)**	N28
Inventories losses/write-downs	-	-	-	(3 746 125)	**(3 746 125)**	
	-	**-**	**-**	**(10 062 255)**	**(10 062 255)**	
Surplus before taxation	**270 613 086**	**6 221 335**	**276 834 421**	**182 600 764**	**(94 233 657)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**270 613 086**	**6 221 335**	**276 834 421**	**182 600 764**	**(94 233 657)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	557 710 000	-	**557 710 000**	396 598 889	**(161 111 111)**	
Other Debtors	69 724 000	-	**69 724 000**	-	**(69 724 000)**	
Operating lease asset	-	-	**-**	9 029 965	**9 029 965**	
Receivables from exchange transactions	420 033 000	-	**420 033 000**	174 950 006	**(245 082 994)**	
Receivables from non-exchange transactions	-	-	**-**	27 393 838	**27 393 838**	
VAT receivable	-	-	**-**	54 618 931	**54 618 931**	
Cash and cash equivalents	65 616 000	-	**65 616 000**	40 344 078	**(25 271 922)**	
	1 113 083 000	**-**	**1 113 083 000**	**702 935 707**	**(410 147 293)**	
Non-Current Assets						
Investment property	73 980 000	-	**73 980 000**	193 791 947	**119 811 947**	
Property, plant and equipment	5 317 905 000	-	**5 317 905 000**	4 238 358 956	**(1 079 546 044)**	
Intangible assets	943 423 000	-	**943 423 000**	1 762 052	**(941 660 948)**	
Heritage assets	5 868 000	-	**5 868 000**	5 867 835	**(165)**	
Receivables from exchange transactions	-	-	**-**	27 070 285	**27 070 285**	
Receivables from non-exchange transactions	16 137 000	-	**16 137 000**	12 436 850	**(3 700 150)**	
	6 357 313 000	**-**	**6 357 313 000**	**4 479 287 925**	**(1 878 025 075)**	
Total Assets	**7 470 396 000**	**-**	**7 470 396 000**	**5 182 223 632**	**(2 288 172 368)**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	**-**	419 916	**419 916**	
Payables from exchange transactions	252 763 000	-	**252 763 000**	436 737 609	**183 974 609**	
VAT payable	-	-	**-**	161 015 328	**161 015 328**	
Consumer deposits	23 977 000	-	**23 977 000**	23 329 130	**(647 870)**	
Unspent conditional grants and receipts	-	-	**-**	5 495 422	**5 495 422**	
Provisions	2 549 000	-	**2 549 000**	11 345 418	**8 796 418**	
	279 289 000	**-**	**279 289 000**	**638 342 823**	**359 053 823**	
Non-Current Liabilities						
Provisions	128 248 000	-	**128 248 000**	117 330 107	**(10 917 893)**	
Total Liabilities	**407 537 000**	**-**	**407 537 000**	**755 672 930**	**348 135 930**	
Net Assets	**7 062 859 000**	**-**	**7 062 859 000**	**4 426 550 702**	**(2 636 308 298)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	7 062 859 000	-	**7 062 859 000**	4 426 550 702	**(2 636 308 298)**	5

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	64 050 000	-	**64 050 000**	51 788 402	**(12 261 598)**	
Service charges	424 135 000	-	**424 135 000**	283 431 403	**(140 703 597)**	
Other revenue	21 685 000	-	**21 685 000**	-	**(21 685 000)**	
Transfers and Subsidies - Operational	552 377 000	-	**552 377 000**	760 480 826	**208 103 826**	
Transfers and subsidies - Capital	265 381 000	-	**265 381 000**	-	**(265 381 000)**	
Interest	3 180 000	-	**3 180 000**	76 379 178	**73 199 178**	
	1 330 808 000	**-**	**1 330 808 000**	**1 172 079 809**	**(158 728 191)**	
Payments						
Suppliers and Employee costs	(1 003 905 000)	-	**(1 003 905 000)**	(947 405 343)	**56 499 657**	
Finance costs	(719 000)	-	**(719 000)**	(18 253 710)	**(17 534 710)**	
Transfers and grants	(157 000)	-	**(157 000)**	-	**157 000**	
	(1 004 781 000)	**-**	**(1 004 781 000)**	**(965 659 053)**	**39 121 947**	
Net cash flows from operating activities	**326 027 000**	**-**	**326 027 000**	**206 420 756**	**(119 606 244)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(265 381 000)	-	**(265 381 000)**	(234 301 124)	**31 079 876**	
Proceeds from sale of property, plant and equipment	3 655 000	-	**3 655 000**	-	**(3 655 000)**	
Net cash flows from investing activities	**(261 726 000)**	**-**	**(261 726 000)**	**(234 301 124)**	**27 424 876**	
Net increase/(decrease) in cash and cash equivalents	64 301 000	-	**64 301 000**	(27 880 368)	**(92 181 368)**	
Cash and cash equivalents at the beginning of the year	6 679 000	-	**6 679 000**	68 224 446	**61 545 446**	
Cash and cash equivalents at the end of the year	**70 980 000**	**-**	**70 980 000**	**40 344 078**	**(30 635 922)**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Receivables from exchange transactions/ non exchange transactions

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

Fair value estimation

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

Impairment testing

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

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 15 - Provisions.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding provisions:

Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid Electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets.

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 the Note for provision.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 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.

Accounting Policies

1.5 Investment property (continued)

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.

Management applies the category below to distinguish Investment Property from Property Plant and Equipment

- Land held for a currently undetermined future use and held for capital appreciation is regarded as Investment Property.

Subsequent measurement - Fair value model

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.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 37)

1.6 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.

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

Owner- occupied property (including held for future use);

1.6 Property, plant and equipment (continued)

Owner-occupied property held for disposal;

Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;

Property held by the municipality for a strategic purpose

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 on the acquisition date.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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent measurement - cost model

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

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

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash generating assets

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight - line method, to allocate their cost less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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 rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight-line	2 - 60 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 10 years
IT equipment	Straight-line	5 - 10 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Water	Straight-line	5 - 100 years
Community	Straight-line	5 - 60 years
Other property, plant and equipment	Straight-line	5 - 20 years
Electricity	Straight-line	10 - 60 years
Sanitation	Straight-line	10 - 60 years
Roads and paving	Straight-line	5 - 80 years
Park facilities	Straight-line	10 - 50 years
Wastewater network	Straight-line	5 - 80 years
Railways	Straight-line	30 years
Specialised vehicles	Straight-line	10 - 15 years
Road reserves		indefinite

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively

The municipality assesses at each reporting date whether there is any indication that the municipality's 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors

At each reporting date all items of property, plant and equipment are reviewed for any indication that it mat be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount or recoverable service amount. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 37).

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

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

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

1.6 Property, plant and equipment (continued)

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

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services

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

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

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

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

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

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

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

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

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.

1.7 Intangible assets (continued)

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

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

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

1.8 Heritage assets

A heritage asset is defined as an asset that has a cultural, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinity for the benefit of present and future generations.

Initial recognition and measurement

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

Heritage assets are 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.

Subsequent measurement

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.

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

<u>External sources of information</u>
- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset

<u>Internal sources of information</u>
- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable format

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 carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of 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).

1.9 Financial instruments

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

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The initial measurement includes transaction cost directly attributable to the acquisition or issue of the financial asset or financial liability, as per GRAP 104.36.

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

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

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:

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables (1.10)

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

Type of financial liabilities	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost

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

Initial measurement of financial assets and liabilities

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. The municipality recognises financial assets using trade date accounting.

1.9 Financial instruments (continued)

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and liabilities

The municipality 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.

Reclassification

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

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

Gains and losses

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

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

Impairment and uncollectability of financial assets

The municipality assess 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.

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms

1.9 Financial instruments (continued)

In making this assessment, management may consider the following indicators as guidance for possible impairment:
- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municip the municipality, despite having retained some significant risks and rewards of ownership of the financial asset,
- the municipality, despite having retained some significant risks and rewards of ownershio 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 municipality :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 municipality 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 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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

Accounting Policies

1.9 Financial instruments (continued)

The municipality 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.

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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 municipality does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

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

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

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables

- Property rates debtors

- Traffic fine debtors

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Accounting Policies

1.10 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

1.10 Statutory receivables (continued)

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

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 through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

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

1.11 Leases

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

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

The leased assets are subsequently measured at cost less accumulated depreciation and accumulated impairment cost.

Finance leases - lessor

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

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

Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

1.12 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

1.12 Inventories (continued)

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

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise

1.13 Cash and cash equivalents

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.

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 comprises cash on hand and demand deposits.

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.

1.14 Impairment of cash-generating assets

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

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

Designation

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

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

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

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

1.14 Impairment of cash-generating assets (continued)

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, int he technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changed include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite

A decision to halt the construction of the asset before it is complete or in a useable condition.

Evidence is available from internal reporting that indicates that the economic performance of an asset is,or will be, worse than expected.

Value in use

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

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

Basis for estimates of future cash flows

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.15 Impairment of non-cash-generating assets

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

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

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

Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefor are distinguished as non-cash generating.

In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash- generating.

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.

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

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.

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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.

1.15 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.

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

1.17 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.

1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end

1.17 Provisions and contingencies (continued)

As 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 it 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 adjustments 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
- 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;

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 Revenue from exchange transactions

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from service charges and other operational activities

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.

1.19 Revenue from exchange transactions (continued)

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).

1.19 Revenue from exchange transactions (continued)

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.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. Services rendered are recognised by reference to the stage of completion of the transaction at the reporting date. Services rendered are recognised also when transaction costs and cost to complete can be measured reliably

Revenue is measured at the fair value of the consideration received or receivable

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rental received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

1.19 Revenue from exchange transactions (continued)

Sale of goods:

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the buyer 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.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.20 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.

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.

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.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue

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 constitute both spot fines and camera fines.

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government: Municipal Finance Management Act (Act no.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Goverment grants and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

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

1.21 Investment income

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

1.22 Borrowing costs

1.23 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).

1.23 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that 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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality's approved budget
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

1.25 Unauthorised expenditure (continued)

- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher leve

1.26 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).

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

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 49.

1.27 Irregular expenditure

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

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

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

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

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

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

Additional disclosure for irregular expenditure is disclosed in note for irregular expenditure

1.28 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.

1.29 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed

Related parties include key management personnel, close members of family of key management and councillors.

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

1.29 Related parties (continued)

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

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

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

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

1.30 Events after reporting date

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

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

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

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

1.31 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability

Consumer deposits are levied in line with council's policy to consumers when services are initially connected

When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date.Any excess deposit after all debt is settled is refunded to the specific consumer.

1.32 Budget information

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

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

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

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

Accounting Policies

1.32 Budget information (continued)

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

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

Comparative information is not required

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts
- actual amounts and final budget amounts

1.33 Value Added Tax

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

1.34 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 01 April 2022 or later periods

The new standards have no material impact for the financial period under review

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations 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:

GRAP 1 (

Additional text

GRAP 25 on Employee Benefits and the effective date for the reporting periods has not been set. The ASB has agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas of GRAP 25 departs from the requirements of IPSAS 39. The ASB decisions to depart are explained in the basis for conclusions. the amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is for financial periods beginning on/after 1 April 2025.

The municipality expects to adopt the standard for the first time in 2025/2026 annual financial statements.

The impact of this standard is currently being assessed

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to the IFRS on Presentation of financial statements.

A summary of the amendments is:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Materiality and aggregation

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

The effective date is for financial periods beginning on/after 1 April 2023. Earlier application is encouraged.

The impact of these amendments is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is not authoritative but encouraged to be applied by entities when preparing their financial statements.

The Municipality expects to adopt the guideline for the first time in 2022/2023 annual financial statements.

It is likely that the standard will have a material impact on the entity's annual financial statements

Guideline: Guideline for Accounting on Landfill Sites

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision

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

The Municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the Municipality

The impact of this standard is currently being assessed

GRAP 103 – Heritage assets

Definition of a heritage asset

An item will be classified as a heritage asset when it has cultural significance and is held indefinitely for the benefit of present and future generations. “Cultural significance” means aesthetic, architectural, historical, scientific, social, spiritual, linguistic or technological value or significance. A list of assets that could meet the definition of a heritage asset is included in the revised Standard. The assessment of whether the definition of a heritage asset is met, is based on how management uses the asset. The amendments to the definition of a heritage asset are applied retrospectively.

Classification of dual-purpose heritage assets

All heritage assets are accounted for using GRAP 103, irrespective of whether they have an alternative use. Heritage assets are presented as a single line item on the face of the statement of financial position, if material. Information about the heritage asset’s significant alternative use is presented in a disclosure note to the financial statements, if it is material. Heritage assets are not depreciated, but will be assessed for impairment when an impairment indicator is triggered. Items of property, plant and equipment that are used with a heritage asset, or that safeguard a heritage asset, are accounted for using the applicable Standard of GRAP. Amendments relating to the classification of heritage assets are applied retrospectively. When a dual-purpose heritage asset is reclassified on the effective date of the amendment

- any previously recognised depreciation is adjusted retrospectively against accumulated surplus or deficit;

- the heritage asset is reclassified at its cost on initial recognition; and

- the reclassified heritage asset is tested for impairment on the date that the amendment is first applied.

Determining a reliable value for a heritage asset

Guidance to determine a reliable value for a heritage asset is provided in the following areas

(a) Use of peer data – when an entity has no, or insufficient sources of entity-specific data, a value for the heritage asset can be determined based on the value of a comparable heritage asset, held by another entity. A heritage asset is comparable if it is of a similar nature, demonstrates the similar characteristics and are held under similar conditions as the heritage asset being valued

(b) Variability in the range of reasonable fair value estimates – if the variability in the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined for the heritage asset.. As a result, the heritage asset is not recognised. The amendments relating to determining a reliable value for a heritage asset, are applied prospectively.

Protective rights imposed on heritage assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Heritage assets may be subjected to protective rights, i.e., ethical, legal and/or statutory obligations that impose prohibitions or severe stipulations on a heritage asset's use, disposal, transfer or exchange. These protective rights should not preclude an entity from determining a fair value, because the heritage asset can still be traded in an active market between a willing buyer and seller, irrespective of any protective rights. The following disclosures should be provided on external protected rights imposed on a heritage asset. or class of heritage assets:

(a) a description of the heritage asset of class of heritage assets on which the protective right is imposed;

(b) the carrying value of the heritage asset or class of heritage asset on which the protective right is imposed; and

(c) a description of the protective right.

These disclosures are required irrespective of whether the heritage asset, or class of heritage asset is recognised. On disposal of a heritage asset, or class of heritage assets that are subject to a protective right, the entity provides:

(a) a description of the heritage asset, or class of heritage assets that were disposed;

(b) the circumstances that permitted the entity to dispose of the asset; and

(c) the compensation received, and the amount recognised in the financial statements following the disposal.

Judgement is applied to assess if these disclosures should be provided for individual heritage assets, or for collections of similar heritage assets, based on the nature of the heritage asset, or class of heritage assets over

which protective rights are held. The amendments relating to protective rights, including the disclosures, are applied prospectively.

Re-assessing if a reliable value becomes available subsequently.

An entity assesses at each reporting date, if there is an indication that a heritage asset, that did not meet the recognition criteria on initial recognition, can subsequent be measured reliably. The following minimum indicators can be considered:

• Changes in the condition of the heritage asset.

• Information about the fair value of a heritage asset becomes available.

• Changes in the demand by the market for a specific heritage asset.

When a reliable measure becomes available after initial recognition, the heritage asset will be recognised. The resulting difference is recognised in surplus or deficit and classified using the relevant Standard of GRAP. For the recognised heritage asset, the following information should be disclosed:

• a description of the heritage asset or class of heritage assets;

• the events or circumstances that led to a reliable value becoming available; and • the value at which the heritage asset or class of heritage assets are recognised.

The amendments relating to reassessing if a reliable value becomes available after initial recognition, are applied prospectively**.**

Aggregation of individually insignificant heritage assets

Information on heritage assets does not need to be presented and disclosed on an individual basis. An entity may aggregate individually insignificant items when it is a more relevant representation of the items' cultural significance. The amendment relating to the aggregation of individually insignificant heritage assets is applied retrospectively.

Impairment of heritage assets

Management should assess at each reporting date, if there is an indication that a heritage asset may be impaired. The following indicators may be considered, as a minimum: External sources of information:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• A heritage asset’s market value has declined significantly more than would be expected as a result of the passage of time or normal use. • An active market is absent.

• Significant long-term changes, with an adverse effect on the asset, have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. Internal sources of information • Evidence is available of physical damage or deterioration.

• Management takes a decision to halt the construction of a heritage asset before it is complete, or in a usable form. On triggering an impairment indicator, the heritage asset’s recoverable amount, or recoverable service amount is calculated using GRAP 21 on Impairment of Non-cash-generating Assets, or GRAP 26 on Impairment of Cash-generating Assets. Any impairment loss is recognised in surplus or deficit.

Mandatory disclosures of heritage assets borrowed or on loan

The amendments to GRAP 103 introduced a new requirement to disclose heritage assets that are borrowed from, or on loan to other entities as at the reporting date. If applicable, the entity:

(a) provides a description of the heritage asset borrowed from, or on loan to another entity;

(b) indicates the entity from which the heritage asset is borrowed, or the entity to which the heritage asset is on loan; and

(c) share information on the period for which the heritage asset will be borrowed, or on loan. Judgement is applied to assess if these disclosures should be provided for individual heritage assets, or collections of similar heritage assets. This decision is based on the nature of the heritage assets that are borrowed from, or on loan.

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	193 791 947	-	193 791 947	197 746 885	-	197 746 885

Reconciliation of investment property - 2023

	Opening balance	**Fair value adjustments**	**Total**
Investment property	197 746 885	(3 954 938)	193 791 947

Reconciliation of investment property - 2022

	Opening balance	**Fair value adjustments**	**Total**
Investment property	191 940 680	5 806 205	197 746 885

Fair value of investment properties	(3 954 938)	5 806 206

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property

There are no restrictions on the realisability of investment property of the remittance of revenue and proceeds of disposal.

Pledged as security

All of the municipality’s investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

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

Amounts recognised in surplus or deficit

Rental revenue from Investment property	2 014 647	5 667 256

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 and Buildings	259 411 373	(97 854 062)	161 557 311	256 825 883	(86 676 733)	170 149 150
Plant and machinery	35 298 491	(11 761 856)	23 536 635	21 908 863	(14 229 208)	7 679 655
Motor vehicles	39 729 224	(21 354 128)	18 375 096	48 602 584	(37 435 600)	11 166 984
Furniture and Office Equipment	7 814 016	(6 515 488)	1 298 528	8 503 780	(6 426 898)	2 076 882
IT equipment	18 399 227	(7 945 413)	10 453 814	10 073 224	(7 097 172)	2 976 052
Electrical Infrastructure	458 640 586	(294 257 209)	164 383 377	457 561 606	(287 855 169)	169 706 437
Community	333 658 000	(173 970 826)	159 687 174	310 284 891	(162 168 041)	148 116 850
Roads Infrastructure	1 432 084 045	(695 176 394)	736 907 651	1 370 455 622	(669 427 695)	701 027 927
Sanitation and solid waste infrastructure	259 225 063	(156 418 872)	102 806 191	251 852 119	(128 142 291)	123 709 828
Water network	3 121 747 760	(894 449 286)	2 227 298 474	2 930 542 623	(847 483 258)	2 083 059 365
Work in progress (WIP)	676 132 378	(44 077 673)	632 054 705	755 494 248	(44 077 673)	711 416 575
Total	**6 642 140 163**	**(2 403 781 207)**	**4 238 358 956**	**6 422 105 443**	**(2 291 019 738)**	**4 131 085 705**

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	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	170 149 150	2 684 693	(29 762)	-	(5 407 005)	(5 839 765)	161 557 311
Plant and machinery	7 679 655	18 136 821	(67 831)	-	(2 212 010)	-	23 536 635
Motor vehicles	11 166 984	11 045 854	(84 377)	-	(3 753 365)	-	18 375 096
Office equipment	2 076 882	6 047	(43 596)	-	(740 805)	-	1 298 528
IT equipment	2 976 052	10 164 918	(179 273)	-	(2 507 883)	-	10 453 814
Electrical Infrastructure	169 706 437	5 466 736	(1 607 352)	-	(9 089 240)	(93 204)	164 383 377
Community	148 116 850	23 373 110	-	-	(10 370 595)	(1 432 191)	159 687 174
Roads Infrastructure	701 027 927	61 628 424	-	-	(25 748 700)	-	736 907 651
Wastewater network	123 709 828	7 581 524	(57 117)	-	(5 017 135)	(23 410 909)	102 806 191
Water network	2 083 059 365	191 389 988	(24 142)	-	(47 126 737)	-	2 227 298 474
WIP	711 416 576	207 191 794	-	(286 553 666)	-	-	632 054 704
	4 131 085 706	**538 669 909**	**(2 093 450)**	**(286 553 666)**	**(111 973 475)**	**(30 776 069)**	**4 238 358 955**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	184 445 988	-	-	-	(4 699 029)	(9 597 809)	170 149 150
Plant and machinery	11 517 665	908 112	(3 441 347)	-	(1 304 775)	-	7 679 655
Motor vehicles	17 294 116	-	(3 475 238)	-	(2 651 894)	-	11 166 984
Office equipment	2 693 087	-	(49 410)	-	(566 795)	-	2 076 882
IT equipment	4 166 928	-	(119 251)	-	(1 071 625)	-	2 976 052
Electrical Equipment	207 562 896	3 255 632	-	-	(16 137 071)	(24 975 020)	169 706 437
Community Assets	155 549 877	16 624 140	-	-	(9 647 143)	(14 410 024)	148 116 850
Roads Infrastructure	895 305 449	-	-	-	(59 716 586)	(134 560 936)	701 027 927
Wastewater network	145 010 293	593 946	-	-	(4 125 235)	(17 769 176)	123 709 828
Water network	2 183 939 399	60 359 332	(42 908)	-	(47 720 640)	(113 475 818)	2 083 059 365
Work in Progress (WIP)	693 796 690	143 238 917	-	(93 814 529)	-	(31 804 502)	711 416 576
	4 501 282 388	**224 980 079**	**(7 128 154)**	**(93 814 529)**	**(147 640 793)**	**(346 593 285)**	**4 131 085 706**

Pledged as security

Carrying value of assets pledged as security is R Nil

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Projects taking longer to complete

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)			Notes
Baken RG Mini water scheme MOG27	304 818	304 818	N1
Taolome Mini Water Scheme MOG28	387 579	387 579	N2
Kgotso Millenium Park MOG29	109 340	109 340	N3
Water Abstraction Prozen Farm MOG26	217 203	217 203	N4
	1 018 940	**1 018 940**	

Note 1 - The project design stage has been complete. Implementation has not been initiated

Note 2 -The project design stage has been complete. Implementation has not been initiated

Note 3 - The project design stage has been complete. Implementation has not been initiated.

Note 4 - The project design stage has been complete. Implementation has not been initiated.

Halted Projects	Carrying Value	Impairment	Total
Uitzight taxi routes 11/12 R 2 m	103 964	-	103 964
Moruleng/Moela street	233 459	-	233 459
Lyden Roads & stormwater	202 328	-	202 328
Mokopane Sewer plant	65 881 419	-	65 881 419
Mini Water Scheme 23: Fothane/Mamaala/Parakisi	16 658 657	-	16 658 657
Moshate Stadium	44 077 673	(44 077 673)	-
Ramorulane Roads & stormwater	288 715	-	288 715
Motse Pebbles Small Mining	414 153	-	414 153
Mabusela-Masoge Rds And S/Water Rd Struct	1 197 552	-	1 197 552
Duren/Monte Christo Mini Scheme	178 800	-	178 800
'Mini Scheme 9: Mathekga, Moshuka, Segole	12 328 166	-	12 328 166

4. Property, plant and equipment (continued)

Kwakwalata/Mahlogo/ Mesopotamia/Mabuela	91 321	-	91 321
Upg & Ext Of Water Ret Malokong	417 424	-	417 424
	142 073 631	**(44 077 673)**	**97 995 958**

1.Uitzight taxi routes - costs represents design fees of the project to still be implemented

2.Moruleng/Moela street - Costs represents design fees of the project to still be implemented.

3.Lyden Roads & stormwater -Costs represents design fees of the project to still be implemented

4.Mokopane Sewer plant - This project was halted but has since been revived. A MOU has been signed, wherein Ivan Plat will be completing the project on behalf of the Municipality.

5..Mini Water Scheme 23: Fothane/Mamaala/Parakisi -This project was previously halted but has since been revived and is currently being implemented.

6.Moshate Stadium - The contractor absconded and the project is halted. The municipality actioned legal proceedings.

7. Ramorulane Roads & stormwater -The phase one of the scoping report is complete, but the project is yet to be implemented.

8. Motse Pebbles Small Mining - The project design has been completed, and the project was advertised.

9. Mabusela-Masoge Rds And S/Water Rd Struct - The project design has been completed, but no no construction has taken place – Tender has been awarded, but due to project cost, certain elements in the design are being revisited.

10. Duren/Monte Christo Mini Scheme - The project design has been completed, but no construction has taken place – The technical reports have been submitted to DWS

11.'Mini Scheme 9: Mathekga, Moshuka, Segole -The project has been halted and the municipality has instituted legal proceedings.

12. Kwakwalata/Mahlogo/ Mesopotamia/Mabuela - The project design has been completed, but no construction has taken place.

13.Upg & Ext Of Water Ret Malokong - The project design has been completed, but no construction has taken place.

Repairs and Maintenance	2023	2022
Maintenance of Equipment	12 127 506	8 777 197
Maintenance of Buildings and Facilities	357 999	364 855
Engineering Civil	20 649 762	61 195 591
	33 135 267	**70 337 643**

4. Property, plant and equipment (continued)

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

Reconciliation of Work-in-Progress 2023

Reconciliation of Work-in-progress 2023	Included within Road Infrastructure	Included within Sanitation and Solid waste Infrastructure	Included within Water network	Included within Electrical infrastructure	Included within Community	Total
Opening balance	64 701 498	266 020 240	340 519 294	17 687 629	22 487 914	711 416 575
Additional/capital expenditure	35 138 783	18 084 756	147 683 513	4 985 397	1 299 348	207 191 797
Transfer to completed items	(64 050 933)	-	(193 141 628)	(5 987 996)	(23 373 109)	(286 553 666)
Subtotal	35 789 348	284 104 996	295 061 179	16 685 030	414 153	632 054 706
	35 789 348	**284 104 996**	**295 061 179**	**16 685 030**	**414 153**	**632 054 706**

Reconciliation of Work-in-progress 2022	Included within Road Infrastructure	Included within Sanitation and Solid waste Infrastructure	Included within Water network	Included within Electrical infrastructure	Included within Community	Total
Opening balance	39 233 405	256 945 708	302 256 417	26 697 380	68 663 780	693 796 690
Additions/capital expenditure	25 468 093	9 074 533	97 484 522	8 958 992	2 252 778	143 238 918
Other movements- impairment	-	-	-	-	(31 804 502)	(31 804 502)
Transferred to completed items	-	-	(59 221 645)	(17 968 742)	(16 624 142)	(93 814 529)
Subtotal	64 701 498	266 020 241	340 519 294	17 687 630	22 487 914	711 416 577
	64 701 498	**266 020 241**	**340 519 294**	**17 687 630**	**22 487 914**	**711 416 577**

4. Property, plant and equipment (continued)

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

5. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	4 989 152	(3 227 100)	1 762 052	3 693 320	(2 769 962)	923 358

Reconciliation of intangible assets - 2023

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	923 358	1 331 356	(6 797)	(485 865)	1 762 052

Reconciliation of intangible assets - 2022

	Opening balance	**Disposals**	**Amortisation**	**Total**
Computer software, other	1 557 373	(292 115)	(341 900)	923 358

Pledged as security

Carrying value of intangible assets pledged as security is RNil:

6. Heritage assets

	2023			2022		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
National Parks	5 867 835	-	5 867 835	5 867 835	-	5 867 835

Reconciliation of heritage assets 2023

	Opening balance	Total
National Parks	5 867 835	5 867 835

Reconciliation of heritage assets 2022

	Opening balance	Total
National Parks	5 867 835	5 867 835

Heritage assets which fair values cannot be reliably measured

The market related price of the heritage assets cannot be determined reliably, and as such, no revaluation can be performed

Heritage assets consists of monuments and statues which are mostly guarded at a heritage site.

Pledged as security

Carrying value of heritage assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Operating lease asset

Current assets	9 029 965	7 033 796
Current liabilities	(419 916)	(6 996)
	8 610 049	**7 026 800**

7.1 Leasing Arrangements.

The Munipality as Lessor, has operating leases that relate to property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend.

The municipality has entered as Leasee into easing arrangements including, but not limited to, the following:

- Motor vehicles fleet.

- IT equipment.

The above leases are for a maximum of 3 years. There is no contingent rent payable. There are no terms of renewal or purchase options. Each lease bears standard escalation clauses at an annual rate. No restrictions are imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing

Operating lease liability		
Operating lease accrual - Fleet	(387 372)	(6 996)
Operating lease liability - WIFI	(32 544)	-
	(419 916)	**(6 996)**

Future lease payments under operating lease		
Payable within one year	(4 880 002)	-
Payable within two to five years	(7 955 456)	-
	(12 835 458)	**-**

Minimum lease payments recognised in statement of financial performance.		
Lease rentals on operating lease	5 448 471	-

Operating lease asset		
The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods		
No later than one year	215 542	196 972
Later than one year and not later than five years; and	1 038 231	961 124
later than five years	10 869 738	11 162 388
	12 123 511	**12 320 484**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

8. Inventories

	2023	2022
Consumable stores	57 239 956	18 473 896
Water for distribution	259 600	216 126
Land inventory	339 099 333	342 783 333
	396 598 889	**361 473 355**

	2023	2022
Carrying value of land inventories carried at fair value less costs to sell	331 857 333	335 541 333
Inventories recognised as an expense during the year	18 524 262	13 500 164

The land inventory was recognised at fair value less cost to sell due to the fact that the municipality could not determine the acquisition date and amounts as the land was registered in the name of the municipality before the year 2000
Inventories are held for own use and measured at the lower of cost and current replacement cost, Write downs of inventory to net realisable value were required.

Inventory pledged as security

No inventory was pledged as security at the end of the financial year and in the previous financial year.

Water for distribution

	Note	2023	2022
Opening balance		216 126	176 148
Purchases		36 819 347	34 589 593
Sales/consumed	35	(33 603 666)	(31 897 935)
Distributed losses		(3 172 207)	(2 651 680)
Closing balance		**259 600**	**216 126**

9. Receivables from exchange transactions

	2023	2022
Deposits	1 830 215	1 830 215
Housing debtors	609 330	525 532
Non current portion	27 070 285	19 153 112
Sundry debtors	38 051 960	47 233 995
Consumer debtors - Electricity	25 001 070	11 681 035
Consumer debtors - Water	83 396 327	50 829 840
Consumer debtors - Waste water	10 324 130	6 470 893
Consumer debtors - Refuse	13 141 138	8 369 518
Consumer debtors - Service Charges	2 595 836	1 506 211
	202 020 291	**147 600 351**

Statutory receivables general information

The reassessment based on the payment rate has shown conditions that did not exist in the prior year. Based on the current assessment the movement in the prior year has been transferred to the debt impairment in the current financial year.

Credit quality of trade and other receivables

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 355 141 893	1 355 141 893

In determining the recoverability of recievables, the municipality has placed strong emphasis on verifying the indigent status offconsumers. Provision for impairement of receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairement.
The municipality holds collateral over these balances in the form of consumer deposits and quarantees, which are not covering the total outstanding debt and vacant properties respectively.

Receivables from exchange transaction non current assets	2023	2023
Property Rates	5 393 931	5 987 445
Electricity	18 593 801	10 478 753
Refuse	1 115 081	1 125 003
Sewerage	1 131 635	1 040 165
Water	5 593 105	5 902 352
Service Charges	636 663	606 840
	32 464 216	**25 140 558**

10. Receivables from non-exchange transactions

Fines	656 928	676 347
Accrued Income	7 040 919	19 199 013
Overpayment - Contractors	-	316 495
Property rates - non current portion	5 395 931	5 987 444
Property Rates - current portion	26 736 910	16 440 364
	39 830 688	**42 619 663**

Reconciliation of provision for Impairment of trade other receivables		
Opening balance	982 432 289	699 407 873
Provision for impairment	167 363 672	283 024 416
	1 149 795 961	**982 432 289**

Receivables from exchange transactions: non current assets		
Electricity	20 859 622	10 478 753
Refuse	1 270 294	1 125 003
Sewerage	1 325 328	1 040 165
Water	6 258 797	5 902 352
Service charge	1 063 046	606 840
	30 777 087	**19 153 113**
	-	-

Figures in Rand	2023	2022

10. Receivables from non-exchange transactions (continued)

Receivables from non exchange transactions: non current assets	-	-
Property rates	6 341 991	5 987 445
Accrued income	17 923 154	19 199 013
Over payment - contractors	-	316 495
	24 265 145	**25 502 953**

Reconciliations of traffic fines		
Gross receivables traffic fines	8 916 311	7 656 375
Accumulated impairment	(8 259 383)	(6 980 029)
	656 928	**676 346**

Receivables from non-exchange transactions pledged as security

No receivables from non exchange transaction were pledged as security

Statutory receivables have been disclosed as part of receivables from non exchange transactions and they consists of the following:

- Property rates

- Traffic fines

Reconciliation of provision for impairment of receivables from non exchange transactions

Opening balance	235 957 689	190 167 199
Provision for impairment	24 109 752	45 790 490
	260 067 441	**235 957 689**

11. VAT receivable

VAT	54 618 931	50 506 418

Included in the VAT Receivable are the following Statutory receivable R2 297 336.34 (2022 _ R8 435 307.51)

12. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	286 804 352	252 390 820
Consumer debtors - Electricity	218 447 053	149 830 272
Consumer debtors - Water	781 839 987	660 391 418
Consumer debtors - Waste water	112 282 807	99 386 587
Consumer debtors - Refuse	143 932 222	128 547 597
Consumer debtors - Service Charges	24 045 590	23 133 910
	1 567 352 011	**1 313 680 604**

Less: Allowance for impairment		
Consumer debtors - Rates	(260 067 442)	(235 957 690)
Consumer debtors - Electricity	(195 711 804)	(138 149 238)
Consumer debtors - Water	(699 109 352)	(609 561 578)
Consumer debtors - Waste water	(102 152 371)	(92 915 694)
Consumer debtors - Refuse	(130 946 296)	(120 178 080)
Consumer debtors - Service charges	(21 876 137)	(21 627 700)
	(1 409 863 402)	**(1 218 389 980)**

Figures in Rand	2023	2022

12. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	26 736 910	16 440 364
Consumer debtors - Electricity	25 001 070	11 681 035
Consumer debtors - Water	83 396 327	50 829 840
Consumer debtors - Waste water	10 324 130	6 470 893
Consumer debtors - Refuse	13 141 138	8 369 518
Consumer debtors - Service Charges	2 595 836	1 506 211
	161 195 411	**95 297 861**

Rates		
Current (0 -30 days)	1 278 791	871 184
31 - 60 days	395 888	277 757
61 - 90 days	391 391	264 021
> 365 days	24 670 840	15 027 402
	26 736 910	**16 440 364**

Electricity		
Current (0 -30 days)	4 744 941	2 647 644
31 - 60 days	863 672	437 481
61 - 90 days	803 549	659 700
> 365 days	18 588 908	7 936 210
	25 001 070	**11 681 035**

Water		
Current (0 -30 days)	3 046 764	2 046 617
31 - 60 days	1 286 851	840 629
61 - 90 days	1 358 416	861 411
> 365 days	77 038 604	47 081 184
	82 730 635	**50 829 841**

Waste water		
Current (0 -30 days)	341 871	238 675
31 - 60 days	131 667	89 382
61 - 90 days	141 540	87 187
> 365 days	9 709 052	6 055 649
	10 324 130	**6 470 893**

Refuse		
Current (0 -30 days)	377 085	261 334
31 - 60 days	156 258	107 399
61 - 90 days	161 545	106 152
> 90 days	12 291 038	7 894 633
	12 985 926	**8 369 518**

Service charges		
Current (0 -30 days)	206 322	33 243
31 - 60 days	28 818	14 127
61 - 90 days	29 151	28 754
> 90 days	1 905 163	1 430 085
	2 169 454	**1 506 209**

Figures in Rand	2023	2022

12. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2023	2022
Residential		
Current (0 -30 days)	58 925 344	44 409 609
31 - 60 days	21 312 923	15 782 270
61 - 90 days	20 440 723	17 201 367
91 - 120 days	1 190 475 829	779 100 178
	1 291 154 819	856 493 424
Less: Allowance for impairment	(1 162 120 155)	(794 366 097)
	129 034 664	**62 127 327**

	2023	2022
Business/ commercial		
Current (0 -30 days)	23 872 580	29 177 365
31 - 60 days	3 011 502	6 477 619
61 - 90 days	4 408 453	8 002 157
91 - 120 days	89 426 367	287 649 165
	120 718 902	331 306 306
Less: Allowance for impairment	(108 654 567)	(307 274 393)
	12 064 335	**24 031 913**

	2023	2022
National and provincial government		
Current (0 -30 days)	6 844 172	7 910 391
31 - 60 days	2 738 107	1 694 999
61 - 90 days	2 600 941	1 762 856
91 - 120 days	142 349 011	114 503 985
	154 532 231	125 872 231
Less: Allowance for impairment	(139 088 680)	(116 741 857)
	15 443 551	**9 130 374**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	26 906	26 906
Bank balances	15 391 683	1 742 853
Short-term deposits	24 925 489	66 454 687
	40 344 078	**68 224 446**

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**
Standard bank Primary	14 927 070	2 437 542	16 426 885	15 391 683	1 742 853	16 741 853
Standard bank Call Account - 002	242 015	190 045	1 333 704	242 015	190 045	1 333 704
Standard bank Call Account - 052	24 683 473	66 264 642	54 878 193	24 683 473	66 264 642	54 878 193
Cash on hand	-	-	-	26 906	26 906	26 906
Total	**39 852 558**	**68 892 229**	**72 638 782**	**40 344 077**	**68 224 446**	**72 980 656**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	131 694	30 101 515
Integrated National Electricity Programme (INEP)	814	25 000 000
Financial Management Grant	32	-
Water Services Infrastructure Grant (WSIG)	5 338 907	7 176 485
Regional Bulk Infrastructure Grant (RBIG)	23 975	-
	5 495 422	**62 278 000**

Movement during the year

Balance at the beginning of the year	62 278 000	80 976 320
Additions during the year	287 282 826	212 864 000
Income recognition during the year	(281 787 404)	(226 862 320)
Funds returned to treasury	(62 278 000)	(4 700 000)
	5 495 422	**62 278 000**

For 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; see note for reconciliations of grants from National/Provincial Goverment

Figures in Rand	2023	2022

15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Current service cost	Write Off	Current interest cost	Other movements	Total
Environmental rehabilitation	53 981 755	-	-	1 893 755	1 168 477	57 043 987
Provision - Long Service Award	16 097 429	1 489 551	-	1 615 321	(3 181 834)	16 020 467
Performance bonus	-	-	-	-	677 965	677 965
Post Retirement Medical Aid Provision	63 557 565	3 337 879	-	7 796 688	(19 759 026)	54 933 106
Other provisions - Insurance	300 000	-	(300 000)	-	-	-
	133 936 749	**4 827 430**	**(300 000)**	**11 305 764**	**(21 094 418)**	**128 675 525**

Reconciliation of provisions - 2022

	Opening Balance	Current service cost	Current Interest cost	Other movements	Total
Landfill site rehabilitation	58 818 141	-	797 493	(5 633 879)	53 981 755
Long Service Awards	14 364 000	1 479 000	1 257 000	(1 002 571)	16 097 429
Post retirement medical aid provision	54 711 000	2 846 000	5 444 000	556 565	63 557 565
Other provisions - Insurance	300 000	-	-	-	300 000
	128 193 141	**4 325 000**	**7 498 493**	**(6 079 885)**	**133 936 749**

	2023	2022
Non-current liabilities	117 330 107	123 791 127
Current liabilities	11 345 418	10 145 622
	128 675 525	**133 936 749**

Landfill site rehabilitation provision

Provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Mokopane and Rebone landfill sites used for waste disposal..

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Risk describes variability of outcome.A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that revenue or assets are not overstated and expenses or liabilities are not understated.

However uncertainty does not justify the creation of excessive provisions or deliberate overstatement of liabilities. For example if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case.

Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of provision.

Assumptions

The landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five (5) components namely:

- The element that make up the final rehabilitation and closure.

- Basic unit costs for each element.

- Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost.

15. Provisions (continued)

- A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon.

- Discounting of the rehabilitation and closure costs.

GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

Key Financial Assumptions used	For Rebone and Mokopane Landfills (%)
Discount rate	12,62
CPI	7,39
Net effective discount rate	**4,87**

The amounts recognised in the Statement of Financial Position are as follows:

Carrying Value	2023	2022
Present value of the defined benefit obligation-wholly unfunded	57 043 987	53 981 755

	2023	2022
Non - Current liabilities	49 845 036	48 016 771

Change in the present value of the defined benefit obligation are as follows:	2023	2022
Opening balance	53 981 755	58 819 141
Net expense recognised in the statement of financial performance	3 062 232	(4 837 386)
	57 043 987	**53 981 755**

Net Expense recognised in the statement of financial performance	2023	2022
Change in the landfill closure provision	(2 902 752)	(4 837 386)
Interest cost	5 964 984	-
	3 062 232	**(4 837 386)**

Long service award

Actuarial Method and assumptions

The valuation of the defined benefit obligation is performed at year end by an independent expert.

Objective

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25/IAS19 are to maintain a provision 100% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employer does not maintain excessive resources within the provision made.

Method

The method of funding prescribed by GRAP25 is called the " Project Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.

15. Provisions (continued)

The assumptions used in the calculation as discussed above are set out below:

Pace of Funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Mogalakwena Municipality.

An exercise of this nature should be completed every 2 to 3 years in order to monitor progress and ensure that the strategy adopted is still appropriate.

ANALYSIS OF THE ACTUARIAL (GAIN)/LOSS

The actuarial ((gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants.

Key financial Assumptions	Value p.a (%)
Discount rate	10,73
General earnings inflation rate (long term)	5,38
Salary increase rate	6,38
Net Discount rate	**4,09**

Key Demographic Assumptions	Female (%)	Male (%)
Mortality during employment - SA 85- 90		
Average retirement age - 62		
Age 20	9	9
Age 25	8	8
Age 30	6	6
Age 35	5	5
Age 40	5	5
Age 45	4	4
Age 50	3	3
	-	-

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

Carrying Value	2023	2022
The present value of the defined benefit obligation - wholly unfunded	16 020 467	16 097 429

	2023	2022
Non - current liabilities	14 333 233	14 380 320
Current liabilities	1 687 234	1 717 109
	16 020 467	**16 097 429**

Change in the present value of the defined obligation are as follows		
Net expense recognised in the statement of financial performance	1 640 147	3 389 429

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

	2023	2022
Opening Balance	16 097 429	14 364 000
Net expense recognised in the statement of financial performance	(76 962)	1 733 429

Figures in Rand	2023	2022

15. Provisions (continued)

	16 020 467	**16 097 429**

Net expense recognised in the statement of financial position

	2023	2022
Current service costs	1 489 551	1 479 000
Interest cost	1 615 321	1 257 000
Actuarial (gains)/losses	(1 464 725)	653 429
Expected benefits vesting	(1 717 109)	(1 656 000)
	(76 962)	**1 733 429**

Post Employment Medical Aid Provision

The employer's post employment health care liability consists of a commitment to pay a portion of the pensioner's post employment medical scheme contributions. The liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary member.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement

All continuation members and their eligible dependents receive a 60% subsidy.

Upon a member's death in retirement, the surviving dependents will continue to receive the same subsidy, however, upon a member's death in service the surviving dependents will not continue to receive the subsidy.

All subsidies are subject to a maximum of R5 007. for the year ending 30 June 2023. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

	Active employees on medical aid		Active employees not on medical aid	
Age Band	Number	Average past service (years)	Number	Average past service (years)
<25	-	-	-	-
25 - 29	2	04.48	18	4.35
30 - 34	19	05.21	54	4.68
35 - 39	63	08.38	93	6.23
40 - 44	59	10.74	119	7.37
45 - 59	59	14.08	123	10.20
50 - 54	49	16.91	104	11.47
55 - 59	38	17.82	71	15.45
60 - 64	18	24.78	45	17.65
>=65	1	17.45	1	30.25
Total	308	13.21	628	9.80

The total number of members on continuation is 41 pensioners..

Key Financial Assumptions	Value p.a (%)
Discount rate	13,25

Figures in Rand	2023	2022

15. Provisions (continued)

Consumer price inflation		7,28
Health care cost inflation rate		8,78
Maximum subsidy inflation rate		6,25
Net-of-health-care-cost-inflation		**4,11**

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

	2023	2022
Carrying amount		
Present value of the defined obligation Wholly unfunded	54 933 106	63 557 036
Non - current liabilities	53 151 838	61 394 036
Current liabilities	1 781 268	2 163 529
	54 933 106	**63 557 565**

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

	2023	2022
Opening balance	63 557 565	54 711 000
Net expenses recognised in the statement of financial performance	(8 624 459)	8 846 565
	54 933 106	**63 557 565**

	2023	2022
Net expense recognised in the statement of financial performance		
Current services costs	3 337 879	2 846 000
Interest cost	7 796 688	5 444 000
Acturial (gains)/losses	(18 795 214)	2 434 565
Expected subsidy (Benefits) payments	(963 812)	(1 878 000)
	(8 624 459)	**8 846 565**

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

key variables, to recalculate the liabilities use the following assumptions:

- 1;% increase in medical inflation results in a 14.7% increase in the accrued liability whilst 1% decrease in the medical inflation rate will result in a 12.24 decrease in the accrued liability.

Post retirement mortality

PA(90)-2 (PA(90) with a two-year age adjustment) means that each beneficiary was assigned a mortality rate of an individual two years younger than that beneficiary, i.e. lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the below change in the mortality assumption would result in a 2.78% increase in the accrued liability.

Post retirement mortality	30 June 2023 Valuation basis	PA(90) -2
Employer's Accrued liability	54 933 106	56 423 368
Employer's current service cost	3 045 368	3 119 541
Employer's interest cost	7 160 627	7 391 528
	-	-

Medical Inflation

Figures in Rand	2023	2022

15. Provisions (continued)

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retires.

The effect of at 1% p.a. change in the medical aid inflation assumption was tested. The effect is as follows:

Medical Inflation	-1 Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Employer's Accrued Liability	48 240 187	54 933 106	63 039 408
Service cost	2 550 830	3 045 368	3 663 802
Interest cost	6 299 017	7 160 627	8 234 390
	-	-	-

Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

Post employment medical aid liabilities

The expected value of each employee and their spouse's future medical aid subsidies 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). The mortality, retirements and withdrawals from service as set out below were factored. The accrued liability is determined on the basis that each employee's medical aid 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 remains unchanged in the future. It was assumed that 100% of all active members on medical aid will remain on medical aid once they retire. It was assumed that all active members will remain on the same medical aid option at retirement

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.Therefore assets were considered as part of our valuation.

Valuation of assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

Discount rate

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 13.36 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 13.25% per annum, and the yield on the inflation linked bonds of a similar term was about 4.16% per annum, implying an underlying expectation of inflation of 7.28% per annum ([1 + 13.25% - 0.5%] / [1 + 5.10%] - 1).

Medical aid inflation

A healthcare cost inflation rate of 8.78% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.11% per annum ([1 + 13.25%] / [1 + 8.78%] - 1)

15. Provisions (continued)

Demographic data

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age	62	-
Employment age used for past service period	Actual service entry age	Actual service entry age
Age difference between spouses	4 years	4 years
Proportion married	60% assumed married at retirement	Actual marital status
Continuation percentage	Active employees to continue subsidy at 75% in retirement	-
Eligibility of active employees not on medical aid	Assumed that 15% will join a medical aid at retirement	-
Mortality	SA85 - 90 (Normal)	PA (90) -1 with a 1% mortality improvement p.a from 2010

Withdrawals Rates

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Age	Withdrawal rates (Female)	Withdrawal rates (Male)
20	9.0%	9.0%
25	8.0%	8.0%
30	6.0%	6.0%
35	5.0%	5.0%
40	5.0%	5.0%
45	4.0%	4.0%
50	3.0%	3.0%
55+	-	-

Figures in Rand	2023	2022

16. Payables from exchange transactions

Trade and other payables	272 618 620	217 964 818
Payments received in advanced - contract in process	19 237 431	17 123 651
Control and clearing accounts	943 671	-
Deposits received	1 868 617	1 825 043
Retention creditors	61 787 850	68 059 445
Leave accrual	44 688 604	51 622 698
Bonus	8 321 513	8 682 253
Licenses and permits	23 845 146	20 686 921
Other Creditors	3 426 157	3 589 653
	436 737 609	**389 554 482**

17. VAT payable

VAT Payable	161 015 328	149 083 548

18. Consumer deposits

Electricity	18 730 196	20 120 627
Water	4 489 214	4 489 214
Housing rental	109 720	103 754
	23 329 130	**24 713 595**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality reserves a right to utilise the deposit in settling the outstanding balances.

19. Revenue

Sale of goods	1 492 795	243 685
Rendering of services	67 150	49 643
Service charges	494 351 380	421 183 070
Rental of facilities and equipment	4 616 089	5 683 791
Licences and permits	12 219 941	13 650 820
Miscellaneous other revenue	755 559	4 249 245
Administration and management fees received	55 867	235 614
Other income	3 936 852	3 496 558
Interest received - investment	61 638 802	53 462 038
Property rates	91 416 488	88 000 647
Property rates - penalties imposed	14 740 376	13 442 499
Government grants & subsidies	817 263 404	720 748 381
Fines, Penalties and Forfeits	2 224 536	806 925
Fair value adjustments	-	4 493 450
	1 504 779 239	**1 329 746 366**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Revenue (continued)

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

Sale of goods	1 492 795	243 685
Service charges	494 351 380	421 183 070
Rendering of services	67 150	49 643
Rental of facilities and equipment	4 616 089	5 683 791
Licences and permits	12 219 941	13 650 820
(Losses)/Gains from land sale	755 559	4 249 245
Administration and management fees received	55 867	235 614
Recoveries	3 936 852	3 496 558
Interest received - investment	61 638 802	53 462 038
	579 134 435	**502 254 464**

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

Taxation revenue		
Property rates	91 416 488	88 000 647
Property rates - penalties imposed	14 740 376	13 442 499
Transfer revenue		
Government grants & subsidies	817 263 404	720 748 381
Fines, Penalties and Forfeits	2 224 536	806 925
	925 644 804	**822 998 452**

20. Service charges

Sale of electricity	340 047 684	283 362 930
Sale of water	113 417 948	97 851 387
Sewerage and sanitation charges	40 121 134	39 241 258
Other service charges	764 614	727 495
	494 351 380	**421 183 070**

21. Rental of facilities and equipment

Premises		
Premises	4 616 089	5 683 791

22. Fines, Penalties and Forfeits

Law Enforcement Fines	2 224 536	806 925

23. Licences and permits (exchange)

Road and Transport	12 219 941	13 650 820

24. Lease rentals on operating lease

Equipment		
Contractual amounts	1 964 123	21 857
Plant and equipment		
Contractual amounts	114 130	88 558
	2 078 253	**110 415**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Lease rentals on operating lease (continued)

The municipality has entered into leasing arrangements including, but not limited to, the following:

- Motor vehicles fleet.
- IT equipment.

The above leases are for a maximum of 3 years. There is no contingent rent payable. There are no terms of renewal or purchase options. Each lease bears standard escalation clauses at an annual rate. No restrictions are imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.

25. Other Income

Administration and management fees received - third party	55 867	235 614
Miscellaneous receipts	3 936 852	3 496 558
	3 992 719	**3 732 172**

26. Interest revenue

Interest revenue		
Bank	4 884 985	3 192 211
Interest charged on trade and other receivables	56 753 817	50 269 827
	61 638 802	**53 462 038**

27. Property rates

Rates

Residential	38 096 381	35 976 086
Commercial	42 007 053	41 351 073
State	10 956 577	10 337 973
Public Service Organisations	356 477	335 515
	91 416 488	88 000 647
Interest received - property rates	14 740 376	13 442 499
	106 156 864	**101 443 146**

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valuation came into effect on 1 July 2019. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed monthly.

Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 9% per annum is levied on annual rates one month after the due date for payment.

Figures in Rand	2023	2022

28. Government grants and subsidies

Operating grants		
Equitable share	535 476 000	483 337 000
Extended Public Works Programme (EPWP)	1 161 000	1 292 000
Financial Management Grant (FMG)	2 099 968	1 950 000
	538 736 968	**486 579 000**
Capital grants		
Municipal Infrastructure Grant (MIG)	179 595 306	157 466 706
Integrated National Electrification Programme (INEP)	4 999 186	-
Regional Bulk Infrastructure Grant (RBIG)	51 630 851	49 945 582
Water Services Infrastructure Grant (WSIG)	42 301 093	26 757 093
	278 526 436	**234 169 381**
	817 263 404	**720 748 381**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	281 788 100	230 397 486
Unconditional grants received	535 476 000	483 337 000
	817 264 100	**713 734 486**

Equitable Share

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

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Municipal Infrastructure Grant (MIG)_

Balance unspent at beginning of year	30 101 515	57 313 025
Current-year receipts	179 727 000	130 622 000
Conditions met - transferred to revenue	(179 595 306)	(157 466 706)
Funds returned to treasury	(30 101 515)	(366 804)
	131 694	**30 101 515**

Conditions still to be met - remain liabilities (see note 14).

Intergrated National Electrification Programme (INEP)

Balance unspent at beginning of year	25 000 000	3 074 196
Current-year receipts	7 000 000	25 000 000
Conditions met - transferred to revenue	(6 999 186)	-
Funds returned to treasury	(25 000 000)	(3 074 196)
	814	**25 000 000**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to improve access to basic services infrastructure of the municipality.

Financial Management Grant (FMG)

Current-year receipts	2 100 000	1 950 000
Conditions met - transferred to revenue	(2 099 968)	(1 950 000)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants and subsidies (continued)

	32	**-**

Conditions still to be met - remain liabilities (see note 14).

The finance management grant is meant to capacitate the finance department in dealing with financial administration of the municipality

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	1 259 000
Current-year receipts	1 161 000	1 292 000
Conditions met - transferred to revenue	(1 161 000)	(1 292 000)
Funds returned to treasury	-	(1 259 000)
	-	**-**

The purpose of this grant is to enable the municipality to offer opportunities for experiential learning programme to unemployed members of community..

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	7 176 485	6 933 579
Current-year receipts	47 640 000	27 000 000
Conditions met - transferred to revenue	(42 301 093)	(26 757 094)
Funds returned to treasury	(7 176 485)	-
	5 338 907	**7 176 485**

Conditions still to be met - remain liabilities (see note 13).

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	51 654 826	49 945 582
Conditions met - transferred to revenue	(51 630 851)	(49 945 582)
	23 975	**-**

Conditions still to be met - remain liabilities (see note 14).

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs

Basic	206 658 419	200 088 017
Medical aid - company contributions	(2 902 908)	16 078 720
UIF	1 730 211	1 731 805
SDL	2 817 995	2 656 746
Leave pay	7 976 343	17 961 151
Defined contribution plans	42 548 205	40 755 609
Travel, motor car, accommodation, subsistence and other allowances	31 706 669	29 944 573
Overtime payments	19 627 204	19 595 748
Long-service awards	(1 692 283)	476 429
13th Cheques	16 183 434	16 070 984
Acting allowances	2 926 859	4 496 719
Housing benefits and allowances	399 878	332 642
Cellphone Allowance	4 851 507	5 476 973
Bargaining Council	121 192	109 435
	332 952 725	**355 775 551**

Remuneration of municipal manager

Annual Remuneration	762 120	-
Contributions to UIF, Medical and Pension Funds	209 375	-
Other	173 020	-
Acting Allowances	78 056	-
	1 222 571	**-**

Remuneration chief finance officer

Annual Remuneration	187 156	26 743
Contributions to UIF, Medical and Pension Funds	36 777	33 138
Other	68 292	-
Acting Allowances	24 998	-
	317 223	**59 881**

Acting Manager - Community Services

Annual Remuneration	175 116	250 658
Other	45 112	56 821
	220 228	**307 479**

Manager - Corporate Services

Annual Remuneration	518 861	384 761
Contributions to UIF, Medical and Pension Funds	103 475	63 947
Other	262 936	-
Acting Allowances	8 257	-
	893 529	**448 708**

Figures in Rand	2023	2022

29. Employee related costs (continued)

Acting Manager - Traffic and Emergency Services

Annual Remuneration	118 883	424 299
Other	13 021	63 947
Acting Allowances	143 137	-
	275 041	**488 246**

Manager Technical Services

Annual Remuneration	330 331	244 660
Contributions to UIF, Medical and Pension Funds	78 189	-
Other	100 263	58 661
Acting Allowances	84 531	-
	593 314	**303 321**

Manager - Planning and Economic Development

Annual Remuneration	534 869	135 867
Contributions to UIF, Medical and Pension Funds	149 936	34 985
Other	189 502	-
Acting Allowances	39 611	-
	913 918	**170 852**

30. Remuneration of councillors

Executive Major	978 789	604 267
Mayoral Committee Members	6 037 045	5 713 321
Speaker	798 782	755 878
Councillors	5 971 001	10 496 537
	13 785 617	**17 570 003**

In-kind benefits

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

The Executive Mayor has two full-time bodyguards.

Additional information

The total remuneration for councillors is R24 170 220. The amount disclosed in the note above results in a difference of R18 199 219. The difference is for other allowances that are not mapped to note 30 above, but are mapped in General expenses on the Statement of Performance.

The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

31. Depreciation and amortisation

Property, plant and equipment	111 783 894	151 840 083
Intangible assets	485 866	348 335
	112 269 760	**152 188 418**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Impairment of assets

Impairments		
Property, plant and equipment	30 776 068	346 593 290

33. Finance costs

Trade and other payables	2 936 465	-
Finance, other interest and penalties	15 317 245	9 842 114
	18 253 710	**9 842 114**

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34. Debt impairment

Contributions to debt impairment provision	203 695 196	255 378 181

Notes to the Annual Financial Statements

Figures in Rand

35. Bulk purchases

Electricity - Eskom	294 248 924	206 053 260
Water	35 597 200	33 570 156
	329 846 124	**239 623 416**

Electricity losses

	Number 2023	Number 2022		
Units purchased	164 343 416	181 275 403	255 165 636	246 289 195
Units sold	(116 438 336)	(136 509 167)	(180 786 446)	(185 467 705)
Total loss	**47 905 080**	**44 766 236**	**74 379 190**	**60 821 490**
Comprising of:				
Non-technical losses	47 905 080	44 766 236	74 379 190	60 821 490
Percentage Loss:				
Non-technical losses	29 %	25 %	29 %	25 %

Notes to the Annual Financial Statements

Figures in Rand

35. Bulk purchases (continued)

Water losses

	Number 2023	Number 2022		
Units purchased	4 080 138	5 633 193	41 127 791	50 698 737
Units sold	(2 956 827)	(2 944 951)	(29 804 815)	(26 504 559)
Total	**1 123 311**	**2 688 242**	**11 322 976**	**24 194 178**
Comprising of:				
Non-technical losses	1 123 311	2 688 242	11 322 976	24 194 178
Percentage Loss:				
Non-technical losses	28 %	48 %	28 %	48 %

Distribution losses relating to electricity is due to illegal connection.

Distribution losses relating to water is due to damage on water infrastructure network resulting in leakages an and illegal connection

Figures in Rand	2023	2022

36. Contracted services

Outsourced Services		
Medical Services [Medical Health Services & Support	15 350	-
Security Services	57 347 709	53 521 874
Transport Services	5 271 506	15 878 591
Electrical	133 545	71 544
Consultants and Professional Services		
Business and Advisory	85 656 727	39 882 215
Contractors		
Bore Waterhole Drilling	-	109 800
Catering Services	2 380	-
Tracing Agents and Debt Collectors	287 818	159 412
Traffic and Street Lights	184 114	259 611
Sewerage Services	1 500 223	-
	150 399 372	**109 883 047**

37. General expenses

Accommodation	591 706	375 717
Advertising	3 343 820	2 000 349
Auditors remuneration	11 236 363	11 846 491
Bank charges	1 648 889	1 548 377
Cleaning	1 026 930	1 442 089
Commission paid	599	1 224
Computer expenses	3 285 857	2 377 572
Consumables	18 524 262	13 500 164
Delivery expenses	253 337	247 405
Public contribution_INEP	5 674 056	-
Grass cutting and bush clearing	212 850	818 988
Indigent relief	6 125 600	6 246 368
Insurance	10 704 562	584 829
Landfill site maintenance and provision	(2 902 752)	(2 419 414)
Medical examinations	22 500	-
Motor vehicle expenses	5 401 573	2 402 144
Other expenses	6 789 436	4 466 637
Printing and stationery	2 594 625	1 226 158
SDL and Ward Committees	4 152 747	1 917 550
Staff welfare	69 579	78 468
Subscriptions and membership fees	179 957	59 548
Subsistence and Travelling costs	4 057 722	7 211 810
Telephone and fax	1 482 104	1 724 333
Uniforms	447 807	971 281
	84 924 129	**58 628 088**

Figures in Rand	2023	2022

38. Repairs and maintenance

Maintenance of equipment	12 127 506	8 777 197
Maintenance of buildings and facilities	357 999	364 855
Engineering civil	20 649 762	61 195 591
	33 135 267	**70 337 643**

39. Fair value adjustments

Investment property (Fair value model)	-	4 132 723
Other financial assets		
• Fair value adjustment - Investment property	(3 954 938)	1 673 483
	(3 954 938)	**5 806 206**

40. Auditors' remuneration

Fees	11 236 363	11 846 491

41. Cash generated from operations

Surplus (deficit)	182 600 764	(308 349 084)
Adjustments for:		
Depreciation and amortisation	112 269 760	152 188 418
Inventories losses/write-downs	3 746 125	5 254 680
Fair value adjustments	3 954 938	(5 806 206)
Impairment deficit	30 776 068	346 593 290
Debt impairment	203 695 196	255 378 181
Gains on sale of assets	(755 559)	(4 249 245)
Movements in operating lease assets and accruals	(1 583 249)	(4 289 524)
Movements in provisions	(5 261 224)	(26 718 787)
Loss on disposal of assets and liabilities	2 361 192	18 223 360
Changes in working capital:		
Inventories	(35 125 534)	14 699 398
Receivables from exchange transactions	(233 308 671)	(161 096 685)
Other receivables from non-exchange transactions	(53 784 402)	(27 904 837)
VAT Receivables	(4 112 513)	(50 506 418)
Payables from exchange transactions	47 183 128	23 220 439
VAT payables	11 931 780	60 445 318
Unspent conditional grants and receipts	(56 782 578)	(5 799 402)
Consumer deposits	(1 384 465)	304 289
	206 420 756	**281 587 185**

42. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	202 258 238	202 258 238
Trade receivables from non-exchange transactions	-	61 595 159	61 595 159
Operating lease asset	-	9 029 965	9 029 965
Cash and cash equivalents	40 344 078	-	40 344 078
VAT receivable	-	54 618 931	54 618 931

42. Financial instruments disclosure (continued)

	40 344 078	**327 502 293**	**367 846 371**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	436 737 610	436 737 610
Consumer deposits	23 329 130	23 329 130
Unspent conditional grants and receipts	5 495 422	5 495 422
VAT payables	161 253 277	161 253 277
	626 815 439	**626 815 439**

2022

Financial assets

	At fair value	At amortised cost	Total
Operating lease asset	-	7 038 796	7 038 796
Trade and other receivables from exchange transactions	-	147 600 352	147 600 352
Trade receivables from non-exchange transactions	-	42 620 663	42 620 663
Cash and cash equivalents	68 224 446	-	68 224 446
VAT receivable	-	50 506 418	50 506 418
	68 224 446	**247 766 229**	**315 990 675**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	389 554 481	389 554 481
VAT payable	149 083 548	149 083 548
Consumer deposits	24 713 595	24 713 595
Unspent conditional grants and receipts	62 278 000	62 278 000
	625 629 624	**625 629 624**

Figures in Rand	2023	2022

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	276 209 888	394 156 931
Total capital commitments		
Already contracted for but not provided for	276 209 888	394 156 931

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	36 936 480	-
Total operational commitments		
Already contracted for but not provided for	36 936 480	-

Total commitments

Total commitments		
Authorised capital expenditure	276 209 888	394 156 931
Authorised operational expenditure	36 936 480	-
	313 146 368	**394 156 931**

This committed expenditure relates to Property, plant and equipment and services rendered and will be financed by retained surpluses, existing cash resources, funds internally generated, and conditional grants.

The municipality also has numerous contracts based on rates and commitment value cannot be reliably determined.

Operational commitments disclosed include the future lease payment on operating leases (See note 7).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Contingencies

Active Litigation Cases

Name of Plaintiff / Defendant and nature of claim	2023	2022
Matter between Mmusho Security & Projects and MLM.Breach of contract. The matter is being defended and still pending	6 451 650	6 451 650
Matter between CSI Africa and MLM.Claim for services rendered.The matter is being defended and still pending	376 256	376 256
Matter between High Risk Reaction Unit and MLM. Claim for security services rendered. Matter is being defended and still pending	12 724 416	7 397 916
Matter between Voice Press and MLM. Claim for services rendered.The matter is being defended and still pending.	633 000	633 000
Matter between S&M Montani and MLM.Claim for damages due to strike action. The matter is being defended and still pending.	9 150 000	9 150 000
Matter between Mokgwathi Masilo Bethuel and MLM.Damages due to neglegence. The matter is being defended and still pending.	2 824 210	2 824 210
Matter between General and Mahlatsi Security Services and MLM. Claim for breach of contract.The matter is being defended and pending	6 949 045	6 949 045
Matter between Prism Architects (Pty) Ltd and MLM. Claim for services rendered. Matter has been settled.	-	413 371
Matter between Tsentse Manufacturing and MLM. Claim for services rendered. Matter is being defended and still pending	4 014 418	4 014 418
Matter between Pheehane and MLM. Claim for services rendered. The matter is being defended and still pending	800 000	800 000
Matter between Bettie Mahlangu and one other and MLM. Claim for services rendered. The matter is being defended and still pending	974 950	974 950
Matter between Jack Lesetja Raphesu and MLM. Claim for services rendered. The matter is settled	-	762 465
Matter between Mokerong Driving School and MLM. Claim for services rendered. The matter is settled	-	1 350 000
Matter between GSM Mohlabi Inc and MLM. Claim for services rendered. The matter is settled	-	973 000
Matter between Malose Andries Makhafola and MLM. Claim for services rendered. The matter is being defended and still pending	2 900 000	2 900 000
Matter between Ngoako Seabela and MLM. Claim for services rendered. The matter is settled	-	2 437 761
Matter between Cum Laude Projects and MLM. Claim for services rendered. The matter is being defended and still pending	150 000	430 000
Matter between Yellow Stone Suppliers and MLM. Claim for services rendered. The matter is settled	-	595 000
Matter between Tainama Civils Matter and MLM. Claim for services rendered. The matter is being defended and still pending	4 900 000	4 900 000
Matter between Nemorango Consulting Engineering and MLM. Claim for services rendered. The matter is being defended and still pending	2 395 332	-
Matter between Kalekale Investments (Pty) Ltd and MLM. Claim for services rendered. The matter is being defended and still pending	1 213 465	-
Matter between Agisanang Business Solutions and MLM. Claim for non - payment dispute. The matter is being defended and still pending	3 830 239	-
	60 286 981	**54 333 042**

Third Party Claims

Name of Plaintiff / Defendant and nature of claim	Claim no.	2023
Third party claim lodged against the municipality for falling into a pit and dying	15366	2 800 000
Third party claim lodged against the municipality for vehicle accident_ Mahlodi Mathekga	9194	17 613
Third party claim lodged against the municipality for pothole damage	18809	13 079
Third party claim lodged against the municipality for Vehicle accident damage_Julian Motsopye	78809	13 968
Third party claim lodged against the municipality for pothole damage_Nesetja Mashishi	13431	33 044
Third party claim lodged against the municipality for loss of income	11206	1 343 023

Figures in Rand	2023	2022

44. Contingencies (continued)

Third party claim lodged against the municipality for loss of income	62560	TBA
Third party claim lodged against the municipality for vehicle accident with municilapity vehicle_Mabasa	99346	112 100
Third party claim lodged against the municipality for pothole damage_Monewa	28906	-
Third party claim lodged against the municipality neglegence_ Fell in a hole_Botlile Eugene Kekana	12975	-
Third party claim lodged against the municipality for Cellphone damage_	17734	25 699
Third party claim lodged against the municipality for pothole damage_Dr Zaheera Abdool	60610	3 800
Third party claim lodged against the municipality for pothole damage_Mashishi	15579	33044
Third party claim lodged against the municipality for shortage of water suuply	34 443	29 950
Third party claim lodged against the municipality for pothole damage_Jan Adriaan Foord	17289	53512,59
Third party claim lodged against the municipality for injury by employeee playing sports	13874	-
Third party claim lodged against the municipality for pothole damage_Boya	15 883	-
Third party claim lodged against the municipality for pothole damage_Nkgabutle	10940	4 921
Third party claim lodged against the municipality for Tree branch that damaged a vehicle_Ramothlolo	17132	49 848
Third party claim lodged against the municipality for Tree branch that damaged a vehicle_Kgatla	33968-	
Third party claim lodged against the municipality for pothole to damaged a vehicle_B Molekana	12 868	7 634
Third party claim lodged against the municipality for pothole damage_Dineo Ledwaba	19 361	23 998
Third party claim lodged against the municipality for damage to vehicle	15 658	2 933
Third party claim lodged against the municipality for damage to vehicle_Mangwale L	12 327	32 426
Third party claim lodged against the municipality for damage to vehicle from bush cutter_Chuene	30 754	1 250
Third party claim lodged against the municipality for damage to vehicle_Mazibuko	20 618	-
		4 601 843

Third Party Claims

Name of Plaintiff / Defendant and nature of claim	**Claim no.**	**2023**
Third party claim lodged against the municipality for damage to vehicle_Mazibuk	20618	-

The following are contingent liabilities whose values are not yet ascertainable

Matter between Malose Andries Makhafola and MLM. Non compliance with constutional responsibilities. The matter is being defended and still pending

Matter between M E Mokoma +1/MLM and MLM. Claim for unlawful appointment. Matter is being defended and still pending.

Matter between Unlawful occupiers and MLM. Claim for illegal occupation of land. The matter is being defended and still pending.

Matter between VuthaMkhondo/Epholeleng Security and MLM. Interdict against MLM for termination of services. The matter is being defended and still pending.

Matter between L S Sekgota/MLM +8 others and MLM. Claim for unlawful appointment. Matter is being defended and still pending.

Matter between Maximum Profit Recovery and MLM. Claim for services terminated. The matter is being defended and still pending.

Matter between Makgetsi Construction and MLM. Claim for rescission application. The matter is being defended and still pending

44. Contingencies (continued)

Contingent Assets.

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below. The merits must still be determined and could result in a lesser or greater amount.

Name of Plaintiff / Defendant and nature of claim	2023	2022
MLM has lodged a civil claim Tainama Civils. The matter is currently before the court	13 000 000	13 000 000
MLM has lodged a civil claim against Tainama Civils relating to retention payout. The matter is currently before the court	5 200 000	5 200 000
	18 200 000	**18 200 000**

Claims lodged against the Insurers	Claim no.	2023
MLM lodged an insurance claim for property damage stolen	16968	-
MLM lodged an insurance claim for property loss Mobile generator	72797	-
MLM lodged an insurance claim for property damage stolen	18814	-
MLM lodged an insurance claim for property damage_Constatia Farm Transformer	77738	-
MLM lodged an insurance claim for property damage_20MVA Transformer	11 315	-
MLM lodged an insurance claim for property damage_Burglary at parks	868 779	162 321
MLM lodged an insurance claim for property damage_Cable stolen	872 245	-
MLM lodged an insurance claim for property damage_Storm Damage carpets	21 474	270 908
MLM lodged an insurance claim for property damage_Pump House Vandalised	872 538	-
MLM lodged an insurance claim for property damage_Tablet damaged screen	18 211	12 500
MLM lodged an insurance claim for property damage_Unknown person	14 137	844
MLM lodged an insurance claim for property damage_Vehicle damage	95 714	-
MLM lodged an insurance claim for property damage_Vehicle damage	77 218	-
MLM lodged an insurance claim for employee loss of life_Indemnity claim	20 563	-
MLM lodged an insurance claim for property damage Electricity Damage	14 376	-
		446 573

The following are contingent liabilities whose values are not yet ascertainable

45. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note.
Councillors name	Refer to General Information page for councillors.
Close family member of key management	There were no transactions between close famlity members of key management.
Joint venture of key management.	None.
Associate of close family member of key management	None.
Members of key management from employment. Refer to note for remuneration.	No other payments are made outside the contractual employment payments.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Change in estimate

Property, plant and equipment

The useful life of all the assets was reviewed and a change in useful lives was applied to various assets. The useful life of these assets has increased.

The change in useful lives has changed the consumption of depreciation prospectively, in that less depreciation will be realised on an annual basis.

Change in estimate effect	Depreciation 2023 (With RUL Adjustments)	Depreciation 2023 (WIthout RUL Adjustments)	Effect/impact of adjustments
Land and buildings	(5 407 006)	(5 454 217)	(47 211)
Electrical Infrastructure	(9 165 187)	(15 782 974)	(6 617 787)
Community	(10 370 595)	(104 552 450)	(181 855)
Roads Infrastructure	(25 672 753)	(33 125 949)	(7 453 197)
Sanitation and solid waste infrastructure	(5 017 135)	(5 028 028)	(10 893)
Water network	(47 126 737)	(47 149 578)	(22 841)
IT Equipment	(2 452 895)	(521 599)	(1 931 296)
Furniture and Office equipment	(780 805)	(360 172)	(380 633)
Plant and machinery	(2 211 890)	(1 369 914)	(841 976)
Motor vehicles	(3 745 633)	(1 975 990)	(1 769 643)
	(111 950 636)	**(215 320 871)**	**(19 257 332)**

47. Prior period errors

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

Statement of financial position

2022

	Note	**As previously reported**	**Correction of error**	**Re-classification**	**Restated**
Inventories	8	374 121 068	(12 647 713)	-	361 473 355
Operating lease asset	7	7 033 796	-	-	7 033 796
Receivables from exchange transactions	9	84 746 676	32 413 455	11 287 108	128 447 239
Receivables from non-exchange transactions	10	19 325 683	(463 358)	(1 745 614)	17 116 711
Vat Receivables		-	-	50 506 418	50 506 418
Cash and cash equivalents	13	68 224 446	-	-	68 224 446
Investment Property	3	137 013 310	16 023 949	44 709 626	197 746 885
Property, plant and equipment	4	4 014 325 335	213 597 065	(96 836 695)	4 131 085 705
Intangible assets	5	943 422	(26 499)	6 435	923 358
Heritage assets	6	5 867 835	-	-	5 867 835
Receivables from exchange transactions_Non current assets	9	19 153 112	-	-	19 153 112
Receivables from non - exchange transactions_Non current assets	10	25 502 952	-	-	25 502 952
Operating lease liability	7	(6 996)	-	-	(6 996)
Payables from exchange transactions	16	(382 999 275)	31 840 479	(38 395 685)	(389 554 481)
VAT payables	17	(97 770 247)	(806 883)	(50 506 418)	(149 083 548)
Consumer deposits	18	(28 084 279)	10 851 698	(7 481 015)	(24 713 596)
Unspent conditional grants and receipts	14	(60 400 290)	(1 877 710)	-	(62 278 000)
Provisions	15	(12 748 120)	(5 863 336)	8 465 834	(10 145 622)
Provisions_Non current liabilities	15	(123 052 672)	7 727 379	(8 465 834)	(123 791 127)
		4 051 195 756	**290 768 526**	**(88 455 840)**	**4 253 508 442**

47. Going concern (continued)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Sale of goods		243 685	-	-	243 685
Services charges		416 148 339	5 344 231	-	421 492 570
Rendering of services		49 643	-	-	49 643
Rental of facilities and equipment		5 667 256	16 535	-	5 683 791
Licences and permits		13 650 820	-	-	13 650 820
(Losses)/Gains on sale of assets		1 689 153	2 560 092	-	4 249 245
Administration and management fees received		4 814 233	(4 578 619)	-	235 614
Other income		1 632 516	-	1 864 042	3 496 558
Interest received		53 462 038	-	-	53 462 038
Fair value adjustments		4 039 493	453 957	1 312 756	5 806 206
Property rates		88 000 647	-	-	88 000 647
Interest received - property rates		13 442 499	-	-	13 442 499
Government grants and subsidies		715 613 196	5 135 185	-	720 748 381
Fines, penalties and forfeits		806 925	-	-	806 925
Employee related costs		(363 223 933)	7 448 382	-	(355 775 551)
Remuneration of councillors		(17 570 003)	-	-	(17 570 003)
Depreciation and amortisation		(109 167 533)	(48 367 758)	5 346 873	(152 188 418)
Impairment loss		(380 411 819)	33 818 530	-	(346 593 289)
Finance costs		(9 850 092)	7 978	-	(9 842 114)
Lease rentals on operating lease		(155 278)	44 863	-	(110 415)
Debt impairment		(252 985 591)	(2 392 590)	-	(255 378 181)
Repairs and maintenance		(60 151 831)	(10 185 812)	-	(70 337 643)
Bulk purchases		(285 524 642)	80 490 818	(34 589 592)	(239 623 416)
Contracted services		(137 823 730)	28 288 598	(347 915)	(109 883 047)
Loss on disposal of assets and liabilities		(5 411)	(18 217 949)	-	(18 223 360)
Inventory losses/write-downs		-	(5 254 680)	-	(5 254 680)
General expenses		(66 683 843)	5 519 058	2 536 697	(58 628 088)
Deficit for the year		**(364 293 263)**	**80 130 819**	**(23 877 139)**	**(308 039 583)**

Errors

The following prior period errors adjustments occurred:

Inventories

The municipality valued the land inventories for which an audit query was raised and in addition there was investigation in the subdivisions of erf 6591 which led to the identification of properties erroneously recorded in the land inventory. The effect was a reduction of R12 647 713,00 in Land Inventory.

Receivables from exchange transactions

We performed an investigation, and we evaluated the impairment calculations for service charges that we previously used which was not according to GRAP 104. We have therefore used a different methodology, and this has led to the increase of receivables for R32 413 545.

We have followed a process of investigation which required us to evaluate the whole population. During this process we identified unbilled accounts for electricity and water which led to the net decrease of receivables from exchange transactions.

Receivables from non exchange transactions

47. Going concern (continued)

We performed an investigation, and we evaluated the impairment calculations for property rates that we previously used which was not according to GRAP 104. We have therefore used a different methodology, and this has led to the increase of receivables for R463 357.

Investment property

We have performed an investigation into the completeness of the Investment properties based on title deeds searches (Including subdivisions of erf6591). The effect was to increase our investment properties by R16 023 948,97.

Property, plant and equipment

During our physical verification process and analysis process we have identified assets previously not recorded/ correctly recorded and classified which led to the correction of the amount R195 680 562.

Intangible assets

We noted during our investigation that the assets needed to be re-assessed for the remaining useful lives. The effect is a decrease of Intangible assets to the amount of R20 064.00.

Payables from exchange transactions

We have performed our investigation and we noted that our payables were understated for the period. The effect was to increase our payables to R2 749 112.00. Furthermore an unsubstantiated amount of R117 million in a debit balance has been derecognised.

VAT Payable

We have performed an investigation and evaluated the whole population and our process showed that we had unbilled accounts for debtors. We also had to account for the VAT output which in effect has been increased by the amount of R806 883.00.

Unspent conditional grants and receipts

We identified that there were payments made that relate to the 2022 period. The effect was a journal that was corrected for an amount of R1 877 710.00 has decreased our unspent conditional grants and receipts.

Provisions

We have performed an investigation and we noted that other provisions did not meet the criteria for being a current liability anymore but rather non-current. Therefore, a classification process was performed for R8 465 834.00.

Service charges

We have performed an investigation and evaluated the whole population and our process showed that we had unbilled accounts for debtors. The impact is an increase of R5 334 231.00 in the service charges.

(Losses)/Gains on sale of assets .

During our physical verification process and analysis process we have identified assets previously not recorded/ correctly recorded and classified which led to the correction of the amount R2 560 092.00 for Gains on sale of assets.

Administration and management fee received.

We investigated and noted that only the commission part must be disclosed as the principal agent Waterberg District municipality and the municipality. The impact was a decrease in the amount of Administration and management fees of R4 578 619.00.

Rental of facilities and equipment

47. Going concern (continued)

We noted that we have classifications issues under fair value adjustments and the items was incorrectly classified. We now have properly classified the item under Rental of facilities and equipment. This effect will increase R16 235.00 our rental.

Fair value adjustments

During our physical verification process and analysis process we have identified assets previously not recorded/ correctly recorded and classified which led to the correction. The impact is a decreased of R338 357.00 fair value adjustments.

Government grants and subsidies

We identified that there were payments made that relate to the 2022 period. The effect was a journal that was corrected for an amount of R5 135 185.00 which has increased our government grants and subsidie.

Employee related costs

We have identified that leave accrual was not properly calculated and that the municipality must create sundry debtors for our employees that render services on behalf of the Water District Municipality for firefighting services. The impact is a decrease in the employee related costs of R7 291 226.

Depreciation and amortisation

During our physical verification process and analysis process we have identified assets previously not recorded/ correctly recorded and classified which led to the correction of the amount R44 150 410.00 for Depreciation and amortisation.

Impairment loss

As a result of the physical verification process performed on the PPE and a reassessment of the impairment candidates identified by the Auditor-General in 2022, corrections were made to impairment. In addition, the impairment raised on Moshate stadium during 2022 were not correctly recorded. The impact is R95 169 316 which is a decrease in Impairment loss.

Finance costs

Finance cost portion of the Post employment medical aid and Landfill Actuarial valuations posted after year end.

Repairs and maintenance

We identified that there were payments made that relate to the 2023 period. The effect was a journal that was corrected for an amount of R10 650 902 which has increased our repairs and maintenance.

Debt Impairment

We have noted that during the process of evaluating our debtors' balances for recoverability our methodology was not aligned to GRAP104. We have therefore performed our calculations and the impact is an increase in debt impairment of R2 392 590.00.

Contracted services

We identified that there were payments made that relate to the 2023 period. The effect was a journal that was corrected for an amount of R29 961 510 which has decreased contracted services.

Loss on disposal of assets and liabilities

During our physical verification process and analysis process we have identified assets previously not recorded/ correctly recorded and classified which led to the correction of the amount R47 767 234.00 for Loss on disposal of assets and liabilities.

General expenses

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Going concern (continued)

We identified that there were cut off payments made that relate to the 2023 period. The effect was a journal that was posted to R5 566 327 which has decreased general expenses.

Inventories losses/write-downs

We noted that there were instances were land inventory was sold below costs. This process was uncovered during our stock taking and that the matter is affecting the 2022. The effect will be an increment in Inventory losses for an amount of R5 254 680.00.

Vat Receivables

We had VAT receivable that was included with VAT payable portion and not dislosed separately. We have serated the VAT receivable portion to the value of R The effect will be an increment in Inventory losses for an amount of R5 254 680.00

Additional text

Unauthroised expenditure

	2023	2022
Opening balance	-	3 546 803 979
Adjustments made	-	699 906 968
Restated opening balance	**-**	**4 246 710 947**

48. Comparative figures

Certain comparative figures have been reclassified and restated. The impact on the reclassifications and restatements is documented on prior period error note.

49. Risk management

Financial risk management

There have been no changes to what the Municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year

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

The Municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality’s financial performance

Capital Risk Management

The Municipality's objectives, when managing capital, are to safeguard the Municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital

The capital structure of the Municipality consists of cash and cash equivalents disclosed in note 11

There are no externally imposed capital requirements

Liquidity risk

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. The municipality manages its credit risk through payment of deposits disconnection in the case of non-payment..

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

Financial instrument	**2023**	**2022**
Cash and cash equivalent	40 344 078	68 224 446
Receivables from exchange transactions	30 777 087	19 153 113
Receivables from non-exchange transactions	24 265 144	25 502 952

Market risk

Interest rate risk

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

50. Unauthorised expenditure

Opening balance as previously reported	4 246 710 947	3 546 803 979
Opening balance as restated	**4 246 710 947**	**3 546 803 979**
Add: Expenditure identified - current	228 160 102	699 906 968
Less: Approved/condoned/authorised by council	(4 246 710 947)	-
Closing balance	**228 160 102**	**4 246 710 947**

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases

Investigations were conducted for Unauthorised expenditure, and council approved the investigation report as presented by the Municipal Public Accounts Committee (MPAC)

51. Fruitless and wasteful expenditure

Opening balance as previously reported	55 476 506	47 694 917
Opening balance as restated	**55 476 506**	**47 694 917**
Add: Expenditure identified - current	5 169 060	7 781 589
Less: Amount written off - current	(41 516 977)	-
Closing balance	**19 128 589**	**55 476 506**

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases

Investigations were conducted for Fruitless and wasteful expenditure, and council approved the investigation report as presented by the Municipal Public Accounts Committee (MPAC)

Figures in Rand		2023	2022

51. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Eskom		2 628 498	758 977
SARS		-	25 410
Telkom		3 281	2 177
AGSA		236	49 089
Claims rejected		-	5 270 575
Commercial Attorneys Trust		-	490 433
Lepelle Northern Water		91 346	236 780
Moshate Stadium		-	948 149
Municipal Employee Pension Fund		5 728	-
National Fund for Municipal Workers		5 671	-
Municipal Gratuity Fund		3 678	-
Municipal councillors pension fund		1 432	-
Review of financial statements		631 465	-
Incorrect payment		210 724	-
Potential duplicate work		1 587 000	-
		5 169 059	**7 781 590**

51. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of (41 516 977) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

52. Irregular expenditure

	2023	2022
Opening balance as previously reported	2 833 679 437	2 537 944 049
Opening balance as restated	**2 833 679 437**	**2 537 944 049**
Add: Irregular Expenditure - current	544 258 166	242 800 290
Add: Irregular Expenditure - Identified during the audit	-	52 935 098
Less: Amount written off - current	(3 041 563 441)	-
Closing balance	**336 374 162**	**2 833 679 437**

52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
No evidence that bids were properly advertised/ shorter period		-	406 523
Non compliance with SCM regulations- Evaluations criteria		-	19 470 207
Non compliance with SCM policy and SCM regulation		483 366 726	23 191 572
Incorrect application of Regulation 32		-	17 697
Incorrect application of Regulation 36		60 891 440	81 576 980
Quotations		-	475 116
Awards made without adjudication committee's recommendation		-	2 011 973
Other non compliance		-	168 585 321
		544 258 166	**295 735 389**

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases
The Irregular expenditure are currently being investigated by the Misconduct Board and has not been finalised at year end

Investigations were conducted for Irregular expenditure, and council approved the investigation report as presented by the Municipal Public Accounts Committee (MPAC)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of (3 041 563 441) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Figures in Rand	2023	2022

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government- SALGA

Current year subscription / fee	4 346 824	4 151 792
Amount paid - current year	(4 346 824)	(4 151 792)
	-	-

Audit fees

Current year subscription / fee	10 782 940	11 508 403
Amount paid - current year	(10 782 940)	(11 508 403)
	-	-

PAYE,SKILLS DEVELOPMENT AND UIF

Current year subscription / fee	55 995 117	53 080 935
Amount paid - current year	(55 995 117)	(53 080 935)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	58 670 926	80 310 808
Amount paid - current year	(58 670 926)	(80 310 808)
	-	-

VAT

VAT receivable	54 618 931	50 506 418
VAT payable	161 015 328	149 083 548
	215 634 259	**199 589 966**

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

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

Councillors' arrear consumer accounts

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

There were no councillors accounts which were owing more than 90 days in the current financial period.

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
MA Tsebe	4 500	-	4 500

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

There are no councillors' that are in arrear accounts for longer than 90 days in 2022

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Deviation from supply chain management regulations

Supply Chain Management Regulations

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

Deviation recon		
Emergency	4 892 194	61 448 508
Impractical	4 582 220	37 256 803
	9 474 414	**98 705 311**

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

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

The municipality has procured goods and services to an amount of R 9 474 414 (2022 _ R98 705 311) during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulation

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major areas: The areas are identified through the services there are rendering to the community. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

The Segments at Mogalakwena Local Municipality are all the divisions that are directly involved with service potential. Divisions that are not directly involved in service potential, that is, Functional or Support divisions are not identified as separate segments.

Functional or Support divisions are aggregated in the segmental reporting. These divisions include:

- Corporate services.
- Finance.
- Municipal Manager's Office.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community services	Management of parks and buildings
Electrical services	Provision and maintenance of electrical network
Planning and development	Provision of town planning and related services
Technical services	Provision maintenance of water, waste, sanitation and refuse collection services
Traffic and emergency	Community safety, and traffic services

Figures in Rand

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2023

	Community services	Electrical services	Planning and development	Technical services	Traffic and emergency	Total Segment	Unallocated	Total
Segment Revenue								
External revenue from exchange transactions	(20 165 399)	(339 944 202)	(197 728)	(134 703 491)	(12 079 935)	(507 090 755)	(9 218 798)	(516 309 553)
External revenue from non-exchange transactions	(1 162 000)	(4 999 186)	-	(273 527 250)	(1 568 194)	(281 256 630)	(629 647 799)	(910 904 429)
Interest revenue	(6 777 033)	-	-	(44 415 930)	-	(51 192 963)	(25 186 215)	(76 379 178)
Total	**(28 104 432)**	**(344 943 388)**	**(197 728)**	**(452 646 671)**	**(13 648 129)**	**(839 540 348)**	**(664 052 812)**	**(1 503 593 160)**
Segment expenses								
Bulk purchases	-	282 780 793	-	46 894 980	-	329 675 773	170 351	329 846 124
Contracted services	1 658	314 235	-	1 500 223	57 348 758	59 164 874	83 423 069	142 587 943
Debt impairment	-	-	-	-	-	-	181 930 725	181 930 725
Depreciation and amortisation	11 418 914	9 204 927	63 781	78 804 821	63 781	99 556 224	10 887 872	110 444 096
Employee related costs	74 693 165	34 870 179	20 784 335	87 021 708	35 892 625	253 262 012	78 504 634	331 766 646
Impairment loss	-	-	-	-	-	-	30 776 068	30 776 068
Interest expenses	-	-	-	-	-	-	18 253 710	18 253 710
Other expenses	-	3 016 266	7 774 801	8 625 316	962 184	20 378 567	98 283 115	118 661 682
Repair and maintenance	-	12 278 404	-	20 649 762	28 855	32 957 021	178 246	33 135 267
Total	**86 113 737**	**342 464 804**	**28 622 917**	**243 496 810**	**94 296 203**	**794 994 471**	**502 407 790**	**1 297 402 261**
Surplus for the year	**58 009 305**	**(2 478 584)**	**28 425 189**	**(209 149 861)**	**80 648 074**	**(44 545 877)**	**(161 645 022)**	**(206 190 899)**
Other information								
Segment assets		208 503 224	173 282 535	164 861 928	3 009 121 788	3 555 769 475	684 588 940	4 240 358 415
Segment liabilities		(69 293 558)	(25 545 606)	-	(86 953 293)	(181 792 457)	(577 780 911)	(759 573 368)
Total capital expenditure		(866 234)	(4 603 586)	-	(175 423 353)	(180 893 173)	350 413	(181 243 586)

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2022

	Community services	Electrical services	Planning and development	Technical services	Traffic and emergency	Total Segment	Unallocated	Total
Segment Revenue								
External revenue from exchange transactions	(19 125 460)	(283 580 527)	(140 785)	(119 280 140)	(13 976 755)	(436 103 667)	(16 630 923)	(452 734 590)
External revenue from non-exchange transactions	(1 292 092)	-	-	(234 169 382)	(747 645)	(236 209 119)	(573 346 834)	(809 555 952)
Interest revenue	(5 885 386)	-	-	(37 746 965)	-	(43 632 351)	(23 272 186)	(66 904 536)
Total	**(26 302 938)**	**(283 580 527)**	**(140 785)**	**(391 196 487)**	**(14 724 400)**	**(715 945 137)**	**(613 249 943)**	**1 329 195 078)**
Segment expenses								
Bulk purchases	-	194 597 987	-	44 789 693	-	239 387 680	235 737	239 623 417
Contracted services	5 330	280 149	38 438	(166 660)	53 528 119	53 685 376	56 128 010	109 813 386
Debt impairment	-	-	-	-	-	-	255 378 181	255 378 181
Depreciation and amortisation	11 152 013	12 834 770	78 411	114 196 010	887 586	139 148 790	13 039 628	152 188 418
Employee related costs	77 222 482	35 757 529	20 160 575	90 919 753	38 041 544	262 101 883	91 809 626	353 911 509
Impairment loss	-	-	-	166 782 389	-	166 782 389	179 810 900	346 593 289
Interest expenses	-	-	-	-	-	-	9 843 738	9 843 738
Other expenses	1 005 032	4 975 679	869 123	8 374 250	1 298 870	16 522 954	83 288 277	99 811 231
Repair and maintenance	127 954	8 883 367	-	61 201 577	37 780	70 250 678	86 965	70 337 643
Total	**89 512 811**	**257 329 481**	**21 146 547**	**486 097 012**	**93 793 899**	**947 879 750**	**689 621 062**	**1 637 500 812**
Surplus for the year	**63 209 873**	**(26 251 046)**	**21 005 762**	**94 900 525**	**79 069 499**	**231 934 613**	**76 371 119**	**308 305 734**

Other information								
Segment assets		108 466 884	193 517 403	164 378 569	3 687 345 096	4 153 707 952	833 524 893	4 987 232 845
Segment liabilities		(65 028 141)	(29 462 487)	-	(76 462 361)	(170 952 989)	(528 690 895)	(699 643 884)
Total capital expenditure		(3 805 278)	(8 958 992)	-	(174 883 102)	(187 647 372)	-	(187 647 372)

56. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Mogalakwena Local Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

N1. Sales and rendering of services

There is a negative variance of 13% on sales and rendering of services. The underperformance in the line item was due to lower sales in scrap waste as compared to previous year

N3. Agency services

There is a positive variance of 23.5% on agency services. The was a higher income derived from car registrations as compared to budgeted amount

N4.Rental facilities

There is a positive variance of 139% on rental of facilities. The rental market has improved compared to the previous year when the budget was approved

N5. Interest on external investments

There is a positive variance of 52.8%. The municipality earned more interest than anticipated. Interest was earned from call accounts.

N6. Interest received – outstanding debtors

There is a positive variance of 21.3% on interest received on outstanding debtors. The positive variance is due to more consumers defaulting on their accounts thus resulting in higher interest being levied against outstanding accounts.

N8. Gains on sale of assets

The line item has a positive variance of 100%. This is due to the account being a non budgeted line item

N9. Administration and management fees

The line item has a positive variance of 100%. This is due to the account being a non budgeted line item

N12. Property rates - Interest charged

The line item has a positive variance of 100%. This is due to the account being a non budgeted line item

N15. Fines and penalties

The is a negative variance of 41%. This is due to overbudget on the line item.

56. Budget differences (continued)

N16 Employee costs

Negative variance of 15.1% The municipality has reduced payment of overtime to employees

Additional text

N18. Depreciation and amortisation

There is a positive variance of 61.5% on depreciation and amortisation. The municipality under-budgeted for depreciation and amortisation for the financial year.

N19.Impairment loss

The line item has a positive variance of 100%. This is due to the account being a non budgeted line item

N20.Finance costs

There is a positive 521.6% due to interest charged on non cash provisions

N21 Operating lease rentals

There is a positive 100% variance. The line item is budgeted along operating expenses. It doesnt have a stand alone budget item

N22. Debt impairment

The positive variance of 101% on debt impairment is as a result of under budget on the line item.

N23. Bulk purchases

There is a positive 14.3 variance on the bulk line item. More electricity was consumed as compared to budget amount.

N24. Contracted services

There is a negative 36.9 variance on the bulk line item. There was cashflow constraints on the contracted services spending.t

N25 Other material

There is a negative 34.2 variance on the bulk line item. There was cashflow constrainst on the contracted services spending.

N27. Loss on disposal of assets

The line item has a positive variance of 100%. This is due to the account being a non budgeted line item

N28

The line item has a positive variance of 100%. This is due to the account being a non budgeted line it

57. Accounting by principals and agents

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

57. Accounting by principals and agents (continued)

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

The Limpopo Department of Transport and community has an agreement with the Mogalakwena Local municipality which meets the criteria of GRAP 109 for Principal agents

The agreement is effective 01 April 2021 and ends on the 31 March 2024 where the department must provide greater access of its services to clients throughout the province, the department herein transfers specified registration, licensing, and testing functions to appropriately identified Municipality, who process these functions for and on behalf of the Department.

The Municipality shall be obligated to:

- The department must provide greater access of its services to clients throughout the province,

- The department herein transfers specified registration, licensing and

  testing functions to appropriately identified Municipality, who process these functions for and on behalf of the department.

- change of particulars of a motor vehicle, issue of temporary or special permit

- licensing of a vehicle in a private person's or legally

Entity as agent

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

The agency shall receive a fixed fee of 20% of all monthly revenues collected by the agency in respect of the licensing and registration of motor vehicles as per attached

The agency shall deposit 80% of the said revenue collected by it on a monthly basis to the Department of Transport's Account on or before the 15th day of each month.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal

Commission earned on Traffic Fines	12 219 941	13 650 820

Liabilities and corresponding rights of reimbursement recognised as assets

No outstanding amount is owed by Traffic department relating to Traffic fines.

58. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 4 426 550 702 and that the municipality's total liabilities exceed its assets by 4 426 550 702.

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

The ability of the municipality to continue as a going concern is dependent on continued grant funding from the national government

The below mentioned factors have had a negative impact on the going conern of the entity however they are not adequate to threaten the disturb the continues operations of the municipality.

Key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, creditors payment period,debtors’ collection period) due to the decrease in the collection rate as the economy faces a lot of pressure within the jurisdiction of Mokgalakwena Local Municipality

Figures in Rand	2023	2022

58. Going concern (continued)

The poor collection rate has put pressure on the liquidity in the municipality which in turn affects the payment of creditors as they fall due. Despite the pressures, the municipality continues to honour its debt with delay here and there.

Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims against the municipality. In such cases, the municipality like in the past enters arrangements to honour the obligations