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

General Information

Legal form of entity	Dipaleseng Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
The following is included in the scope of operation	Rates and waste management, Local Economic Development projects,Poverty alieviation,Planing and promotion of intergrated plan,Land , economic and environmental development.
Mayoral committee	The manadate of the municipality is interms of section 152 of the Constitution of South Africa.
Executive Mayor	Councillor: KB Moeketsi
Speaker	Councillor: XS Shozi
Chief Whip	Councillor: TG Shabalala
Councillors	Councillor: MG Miya (Member of Mayoral Commitee)
	Councillor: AN Carrim (Member of Mayoral Committee)
	Councillor: AK Nyamade (MPAC Chairperson) (01/07/2022 - 31/01/2023)
	Councillor: MD Makhoba (MPAC Chairperson)
	Councillor: LK Dhladhla
	Councillor: CDV Pienaar
	Councillor: AS Nhlapo
	Councillor: RA Motakane
	Councillor: ZE Maya
	Councillor: Z Radebe
Grading of local authority	2
Chief Finance Officer (CFO)	Mr MH Thokoane
Accounting Officer	Mr L Cindi
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Bankers	First National Bank South Africa
Auditors	Auditor General South Africa Registered Auditors
Audit and Performance Committee	SJ Masite - Chairperson L Langalibalele - Member D Thwala - Member LS Mofokeng - Member
Risk management & ICT Committee	LS Mofokeng - Chairperson

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SA GAAP	South African Statements of Generally Accepted Accounting Practice

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 standards considered and applied are listed in pages 43 - 45.

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

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 28 and 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

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

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

Mr L Cindi

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 service delivery 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

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 648 917 249 and that the municipality's total assets exceed its liabilities by R 648 917 249.

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

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

3. Subsequent events

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

4. Accounting policies

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The accounting policies in pages 14 - 42 were applicable in the year under review. There were no changes in the accounting policies in the year under review.

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr L Cindi

6. Corporate governance

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Audit and performance committee

J Masite was the chairperson of the audit committee for the year under review

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality’s audit committees who are not directors of the municipal entity onto the audit committee.

Accounting Officer's Report

7. Bankers

The municipality has its primary bank account with First National Bank.

8. Auditors

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

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

Mr L Cindi

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	12	13 367 392	7 221 024
Receivables from non-exchange transactions	11	51 760 542	30 403 696
Receivables from exchang transactions	10	151 229 691	254 926 585
Inventories	9	173 426	135 595
		216 531 051	**292 686 900**
Non-Current Assets			
Investment property	3	39 160 290	38 392 441
Property, plant and equipment	4	977 089 906	913 521 360
Intangible assets	5	92 428	95 988
		1 016 342 624	**952 009 789**
Total Assets		**1 232 873 675**	**1 244 696 689**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	412 915 578	280 717 144
VAT payable	16	354 232	8 404 242
Consumer deposits	17	2 944 247	2 804 322
Employee benefit obligation	6&7	799 000	1 007 000
Unspent conditional grants and receipts	13	5 750 000	3 793 001
		422 763 057	**296 725 709**
Non-Current Liabilities			
Employee benefit obligation	7	14 594 000	14 193 000
Other financial liabilities	43	4 509 529	-
Provisions	14	142 089 833	141 770 719
		161 193 362	**155 963 719**
Total Liabilities		**583 956 419**	**452 689 428**
Net Assets		**648 917 256**	**792 007 261**
Accumulated surplus		648 917 249	792 007 263
Total Net Assets		**648 917 249**	**792 007 263**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		1 215 142	2 417 705
Service charges	20	130 661 284	125 225 420
Rental of facilities and equipment	21	282 299	264 694
Licences and permits	23	5 456 743	4 575 391
Interest received - investment	25	685 372	220 608
Fair value adjustments		767 849	-
Actuarial gains	7	1 616 000	1 504 000
Interest received - receivables from exchange transactions	25	45 033 500	41 611 881
Total revenue from exchange transactions		**185 718 189**	**175 819 699**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	31 293 787	33 150 008
Transfer revenue			
Government grants & subsidies	27	139 047 001	154 363 745
Public contributions and donations	28	68 867 742	623 363
Fines, Penalties and Forfeits	22	2 680 250	2 520 850
Total revenue from non-exchange transactions		**241 888 780**	**190 657 966**
Total revenue	18	**427 606 969**	**366 477 665**
Expenditure			
Employee related costs	29	(76 483 097)	(69 120 414)
Remuneration of councillors	30	(5 748 032)	(5 415 725)
Depreciation and amortisation	31	(26 910 193)	(27 786 717)
Impairments	32	(17 287 939)	(732 956)
Finance costs	33	(36 118 837)	(23 274 002)
Lease rentals on operating lease	24	(602 308)	(314 861)
Debt Impairment	34	(175 308 286)	(10 093 690)
Bulk purchases	35	(89 235 478)	(86 423 310)
Contracted services	36	(52 434 134)	(32 198 999)
Loss on disposal of assets and liabilities		(1 757 008)	(2 167 197)
Fair value adjustments	38	-	(387 802)
Inventory consumed		(65 942 969)	(30 399 259)
General Expenses	37	(22 868 699)	(21 549 378)
Total expenditure		**(570 696 980)**	**(309 864 310)**
(Deficit) surplus for the year		**(143 090 011)**	**56 613 355**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	615 860 137	615 860 137
Adjustments		
Prior year adjustments 47	119 533 539	119 533 539
Balance at 01 July 2021 as restated*	**735 393 908**	**735 393 908**
Changes in net assets		
Surplus for the year	56 613 355	56 613 355
Total changes	56 613 355	56 613 355
Restated* Balance at 01 July 2022	**792 007 260**	**792 007 260**
Changes in net assets		
Surplus/(Deficit) for the year	(143 090 011)	(143 090 011)
Total changes	(143 090 011)	(143 090 011)
Balance at 30 June 2023	**648 917 249**	**648 917 249**

Note(s)

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		10 064 504	21 598 502
Sale of goods and services		113 590 264	90 989 304
Grants		207 914 743	153 001 000
Interest income		685 372	220 608
		332 254 883	265 809 414
Payments			
Employee costs		(79 610 940)	(75 121 139)
Suppliers		(100 858 610)	(89 217 761)
Finance costs		(36 118 837)	(23 274 002)
Other cash item		-	(9 406 230)
		(216 588 387)	(197 019 132)
Net cash flows from operating activities	40	**115 666 496**	**68 790 282**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(109 520 129)	(55 176 734)
Net cash flows from investing activities		**(109 520 129)**	**(55 176 734)**
Cash flows from financing activities			
Movement in other liability		-	(12 400 000)
Net increase/(decrease) in cash and cash equivalents		**6 146 367**	**1 213 548**
Cash and cash equivalents at the beginning of the year		7 221 024	6 007 476
Cash and cash equivalents at the end of the year	12	**13 367 391**	**7 221 024**

The accounting policies on pages 13 to 40 and the notes on pages 41 to 102 form an integral part of the annual financial statements.

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	35 300 000	-	35 300 000	-		35 300 000	31 293 787		(4 006 213)	89 %	89 %
Service charges	139 970 000	-	139 970 000	-		139 970 000	130 661 284		(9 308 716)	93 %	93 %
Investment revenue	43 362 000	-	43 362 000	-		43 362 000	45 718 872		2 356 872	105 %	105 %
Transfers recognised - operational	100 104 000	-	100 104 000	-		100 104 000	100 104 001		1	100 %	100 %
Other own revenue	11 665 000	-	11 665 000	-		11 665 000	80 886 025		69 221 025	693 %	693 %
Total revenue (excluding capital transfers and contributions)	**330 401 000**	**-**	**330 401 000**	**-**		**330 401 000**	**388 663 969**		**58 262 969**	**118 %**	**118 %**
Employee costs	(70 140 000)	1 850 000	(68 290 000)	-	-	(68 290 000)	(76 483 097)	-	(8 193 097)	112 %	109 %
Remuneration of councillors	(6 123 000)	-	(6 123 000)	-	-	(6 123 000)	(5 748 032)	-	374 968	94 %	94 %
Depreciation and asset impairment	(25 226 000)	-	(25 226 000)			(25 226 000)	(44 198 132)	-	(18 972 132)	175 %	175 %
Finance charges	(9 200 000)	(9 900 000)	(19 100 000)	-	-	(19 100 000)	(36 118 837)	-	(17 018 837)	189 %	393 %
Inventory consumed and bulk purchases	(96 804 000)	(9 420 000)	(106 224 000)	-	-	(106 224 000)	(155 178 447)	-	(48 954 447)	146 %	160 %
Other expenditure	(108 586 000)	23 111 000	(85 475 000)	-	-	(85 475 000)	(252 970 435)	-	(167 495 435)	296 %	233 %
Total expenditure	**(316 079 000)**	**5 641 000**	**(310 438 000)**	**-**	**-**	**(310 438 000)**	**(570 696 980)**	**-**	**(260 258 980)**	**184 %**	**181 %**
Surplus/(Deficit)	**14 322 000**	**5 641 000**	**19 963 000**	**-**		**19 963 000**	**(182 033 011)**		**(201 996 011)**	**(912)%**	**(1 271)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	38 943 000	-	38 943 000	-		38 943 000	38 943 000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**53 265 000**	**5 641 000**	**58 906 000**	**-**		**58 906 000**	**(143 090 011)**		**(201 996 011)**	**(243)%**	**(269)%**
Surplus/(Deficit) for the year	**53 265 000**	**5 641 000**	**58 906 000**	**-**		**58 906 000**	**(143 090 011)**		**(201 996 011)**	**(243)%**	**(269)%**
Capital expenditure and funds sources											
Total capital expenditure	38 943 001	-	38 943 001	-		38 943 001	116 234 205		77 291 204	298 %	298 %
Financial position											
Total current assets	242 052 000	117 964 000	360 016 000	-		360 016 000	216 531 051		(143 484 949)	60 %	89 %
Total non current assets	856 048 000	-	856 048 000	-		856 048 000	1 016 342 624		160 294 624	119 %	119 %
Total current liabilities	(207 962 000)	(41 736 000)	(249 698 000)	-		(249 698 000)	(422 763 057)		(173 065 057)	169 %	203 %
Total non current liabilities	(167 745 000)	-	(167 745 000)	-		(167 745 000)	(161 193 362)		6 551 638	96 %	96 %
Community wealth/Equity	722 393 000	76 228 000	798 621 000	-		798 621 000	648 917 256		(149 703 744)	81 %	90 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	46 538 000	(29 569 000)	16 969 000	-		16 969 000	115 666 496		98 697 496	682 %	249 %
Net cash from (used) investing	(35 698 000)	-	(35 698 000)	-		(35 698 000)	(109 520 129)		(73 822 129)	307 %	307 %
Net increase/(decrease) in cash and cash equivalents	**10 840 000**	**(29 569 000)**	**(18 729 000)**	**-**		**(18 729 000)**	**6 146 367**		**24 875 367**	**(33)%**	**57 %**
Cash and cash equivalents at the beginning of the year	6 764 000	66 970 000	73 734 000	-		73 734 000	7 221 024		(66 512 976)	10 %	107 %
Cash and cash equivalents at year end	**17 604 000**	**37 401 000**	**55 005 000**	**-**		**55 005 000**	**13 367 391**		**41 637 609**	**24 %**	**76 %**

1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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 14 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

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.

Accounting Policies

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.

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

Fair value

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

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

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

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

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

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

Accounting Policies

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.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	0 - 100 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	5 - 12 years
Office equipment	Straight-line	5 - 12 years
IT equipment	Straight-line	3 - 5 years
Computer software	Straight-line	3 - 5 years
Infrastructure	Straight-line	0 - 100 years
Community	Straight-line	0 - 100 years

1.6 Property, plant and equipment (continued)

Other property, plant and equipment	Straight-line	5 -12 years
Specialised vehicles	Straight-line	7 - 12 years

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

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

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

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

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

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

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

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

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

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

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

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.

1.8 Intangible assets (continued)

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.

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, internally generated	Straight-line	3 years
Intangible assets 1	Straight-line	Indefinite

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
VAT payabe	Financial liability measured at amortised cost

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.

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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.

1.10 Statutory receivables (continued)

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.

Impairment losses

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

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

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

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

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

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

Derecognition

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

Accounting Policies

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.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Accounting Policies

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

Identification

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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.

Accounting Policies

1.13 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.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

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

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

1.16 Provisions and contingencies

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

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

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

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

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

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 .

1.16 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

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

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

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

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

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

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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).

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, 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.

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Accounting Policies

1.19 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.

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

1.19 Revenue from non-exchange transactions (continued)

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.

Services in-kind

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

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

1.20 Turnover

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 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).

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.

1.23 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

Accounting Policies

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

1.28 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.

1.29 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 cash basis and presented by economic classification linked to performance outcome objectives.

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.30 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.30 Related parties (continued)

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.

1.31 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.

1.32 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water produced.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. Standards and Interpretations

2.1 Standards and interpretations approved and effective for 2022/23 Financial Year

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

Notes to the Annual Financial Statements

2. Standards and Interpretations (continued)

GRAP 11 Construction Contracts

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non -Cash Generating Assets

GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 32 Service Concession Arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interests of Other Entities

GRAP 100 Discounted Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 105 Transfer of Functions Between Entities Under Common Control

GRAP 106 Transfer of Functions Between Entities Not Under common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living resources

2. Standards and Interpretations (continued)

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 6 Loyalty Programme

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 160 290	-	39 160 290	38 392 441	-	38 392 441

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	38 392 441	767 849	39 160 290

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	38 780 243	(387 802)	38 392 441

Pledged as security

No investment property is pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by an independent valuer, Erina Otto of i@ Consulting. i@ Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The municipality applied fair value adjustment on the investment properties at the end of the financial year. The fair value adjustments of the investment properties being for improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2023, being a rate of 2%, adjusted to reflect the current market conditions per suburb

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	2 902 500	-	2 902 500	2 902 500	-	2 902 500
Plant and machinery	1 355 642	(1 015 724)	339 918	1 355 641	(898 298)	457 343
Furniture and fixtures	2 629 297	(2 115 053)	514 244	2 463 766	(1 952 109)	511 657
Motor vehicles	1 573 317	(193 049)	1 380 268	1 873 978	(436 956)	1 437 022
IT equipment	1 616 700	(1 120 620)	496 080	1 413 838	(949 750)	464 088
Infrastructure	1 440 951 337	(521 487 573)	919 463 764	1 333 924 642	(480 720 382)	853 204 260
Community	91 477 919	(46 513 540)	44 964 379	92 071 305	(45 969 217)	46 102 088
Other property, plant and equipment	64 400 597	(57 371 844)	7 028 753	65 113 287	(56 670 885)	8 442 402
Total	**1 606 907 309**	**(629 817 403)**	**977 089 906**	**1 501 118 957**	**(587 597 597)**	**913 521 360**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through provisions	Disposals	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	2 902 500
Plant and machinery	457 343	-	-	-	(117 425)	-	339 918
Furniture and fixtures	511 657	165 530	-	-	(162 943)	-	514 244
Motor vehicles	1 437 022	136 295	-	-	(193 049)	-	1 380 268
IT equipment	464 088	202 863	-	-	(170 871)	-	496 080
Infrastructure	853 204 260	115 729 518	(6 714 077)	(1 111 368)	(24 356 629)	(17 287 940)	919 463 764
Community	46 102 088	-	-	(4 907)	(1 132 802)	-	44 964 379
Other property, plant and equipment	8 442 402	-	-	(640 735)	(772 914)	-	7 028 753
	913 521 360	**116 234 206**	**(6 714 077)**	**(1 757 010)**	**(26 906 633)**	**(17 287 940)**	**977 089 906**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through provisions	Disposals	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	2 902 500
Plant and machinery	381 083	310 109	-	(88 402)	(145 447)	-	457 343
Furniture and fixtures	630 230	76 150	-	(23 755)	(170 968)	-	511 657
Motor vehicles	1 696 418	672 421	-	-	(298 850)	(632 967)	1 437 022
IT equipment	455 608	188 984	-	(18 651)	(161 853)	-	464 088
Infrastructure	841 297 661	49 054 951	(10 329 693)	(2 036 390)	(24 698 227)	(84 042)	853 204 260
Community	47 431 089	48 388	-	-	(1 377 389)	-	46 102 088
Other property, plant and equipment	9 369 578	28 800	-	(9 608)	(930 423)	(15 945)	8 442 402
	904 164 167	**50 379 803**	**(10 329 693)**	**(2 176 806)**	**(27 783 157)**	**(732 954)**	**913 521 360**

Pledged as security

No assets are pledged as security.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	299 682 110	12 622 217	312 304 327
Additions/capital expenditure	108 043 326	-	108 043 326
Transferred to completed items	(207 432 368)	-	(207 432 368)
	200 293 068	**12 622 217**	**212 915 285**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	278 353 376	12 622 217	290 975 593
Additions/capital expenditure	53 900 270	-	53 900 270
Transferred to completed items	(20 304 139)	-	(20 304 139)
Prior Period Correction	(12 267 397)	-	(12 267 397)
	299 682 110	**12 622 217**	**312 304 327**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2023	2022
Maintenance of infrastructure	3 374 896	2 993 700
Maintenance of equipment	8 300 287	3 516 072
Maintenance of vehicles	10 974 098	4 054 800
Maintenance of unspecified Assets	333 554	-
	22 982 835	**10 564 572**

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

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	17 800	(9 178)	8 622	17 800	(5 618)	12 182
Intangible assets	83 806	-	83 806	83 806	-	83 806
Total	**101 606**	**(9 178)**	**92 428**	**101 606**	**(5 618)**	**95 988**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	12 182	(3 560)	8 622
Intangible assets 1	83 806	-	83 806
	95 988	**(3 560)**	**92 428**

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	15 742	(3 560)	12 182
Intangible assets 1	83 806	-	83 806
	99 548	**(3 560)**	**95 988**

Pledged as security

No intangible assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Employee benefit obligations

Long service awards

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

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Dipaleseng Local Municipality as at 30 June 2023 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated

for 180 eligible employees as at 30 June 2023 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 283 000	3 671 000

Changes in the present value of long service award obligation are as follows:

	2023	2022
Opening balance	3 671 000	3 259 000
Benefits paid	(620 000)	(284 000)
Net expense recognised in the statement of financial performance	232 000	696 000
	3 283 000	**3 671 000**

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	313 000	286 000
Interest cost	436 000	352 000
Actuarial (gains) losses	(517 000)	58 000
	232 000	**696 000**

Calculation of actuarial gains and losses

	2023	2022
Actuarial (gains) losses – Obligation	(517 000)	58 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve		8,00 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve		4,00 %
Normal Salary Increase Rate	Equal to CPI+1%		5,40 %
Net Effective Discount Rate	Yield curve based**		4,00 %
Average Retirement Age (years)	62	62	
Nominal Retirement Age (years)	65	65	
Mortality Rates	SA85-90	SA-85-90	
		-	-

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

We use the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

**The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2023 of 5.4%. The next salary increase was assumed to take place on 01 July 2024.

Sensitivity analysis

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	3 437 000	3 141 000
Current Service Cost	303 000	264 000
Interest cost	423 000	382 000
	4 163 000	**3 787 000**

6. Employee benefit obligations (continued)

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	One percentage point decrease
Total Accrued Liability	3 486 000	3 096 000
Current Service Cost	304 000	263 000
Interest Cost	430 000	377 000

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	3 283 000	3 671 000	3 259 000	2 850 000	2 630 850

7. Employee benefit obligations

Post-employment Medical Aid Liabilities

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.

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). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid 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. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. The previous actuaries however assumed that only 75% of those currently on medical aid would be on medical aid in retirement. However, they also assumed that 15% of those not currently on medical aid would be on medical aid in retirement. We also assumed that all active members will remain on the same medical aid option at retirement.

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. We therefore did not consider any assets as part of our valuation.

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	12 110 000	11 529 000

Changes in the present value of long service award obligation are as follows:

	2023	2022
Opening balance	11 529 000	11 548 000
Benefits paid	(293 000)	(263 000)
Net expense recognised in the statement of financial performance	874 000	244 000
	12 110 000	**11 529 000**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	595 000	558 000
Interest cost	1 378 000	1 248 000
Actuarial (gains) losses	(1 099 000)	(1 562 000)
	874 000	**244 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 571 000)	(1 562 000)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve		8,00 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve		4,00 %
Normal Salary Increase Rate	Equal to CPI+1%		5,40 %
Net Effective Discount Rate	Yield curve based**		4,00 %
Average Retirement Age (years)	62	62	
Nominal Retirement Age (years)	65	65	

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

We use the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Sensitivity analysis

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	12 933 000	11 404 000
Current Service Cost	589 000	519 000
Interest cost	1 682 000	1 480 000
	15 204 000	**13 403 000**

Figures in Rand	2023	2022

6. Employee benefit obligations (continued)

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	**One percentage point decrease**
Total Accrued Liability	12 704 000	11 301 000
Current Service Cost	582 000	504 000
Interest Cost	1 652 000	1 465 000

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

8. Employee benefit obligation split

	2023	2022
Current Liabilities	799 000	1 007 000
Non-Current Liabilities	14 594 000	14 193 000
	15 393 000	**15 200 000**

9. Inventories

Maintenance materials	111 420	111 420
Water for distribution	62 006	24 175
	173 426	**135 595**

Inventory pledged as security

No Inventory has been pledged as security.

Inventory expensed

	2023	**2022**
Water consumed	35 407 386	334 307

10. Receivables from exchange transactions

Gross balances		
Consumer debtors - Electricity	96 080 602	84 947 295
Consumer debtors - Water	151 113 497	133 720 008
Consumer debtors - Waste water	173 936 322	152 344 182
Consumer debtors - Refuse	99 114 668	85 254 811
Consumer debtors - Property rental	2 190 094	1 916 886
Consumer debtors - Other	106 363 570	101 371 107
	628 798 753	**559 554 289**

Figures in Rand	2023	2022

10. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Consumer debtors - Electricity	(51 150 239)	(48 382 694)
Consumer debtors - Water	(113 126 465)	(75 186 095)
Consumer debtors - Waste water	(142 797 495)	(84 912 922)
Consumer debtors - Refuse	(90 569 343)	(53 125 231)
Consumer debtors - Property rental	(1 202 898)	(1 335 221)
Consumer debtors - Other	(78 722 622)	(41 685 541)
	(477 569 062)	**(304 627 704)**

Net balance		
Electricity	44 930 363	36 564 601
Water	37 987 032	58 533 913
Waste water	31 138 827	67 431 260
Refuse	8 545 325	32 129 580
Consumer debtors - Property rental	987 196	581 665
Consumer debtors - Other	27 640 948	59 685 566
	151 229 691	**254 926 585**

Electricity		
Current (0 -30 days)	1 441 224	6 126 558
31 - 60 days	2 100 936	5 330 408
61 - 90 days	1 947 107	1 756 026
91 - 120 days	1 893 450	1 634 168
121 - 365 days	11 500 003	11 405 183
> 365 days	26 047 643	10 312 258
	44 930 363	**36 564 601**

Water		
Current (0 -30 days)	1 249 345	2 972 683
31 - 60 days	1 424 503	2 899 134
61 - 90 days	1 064 801	1 831 250
91 - 120 days	1 031 363	1 808 375
121 - 365 days	8 144 196	12 454 056
> 365 days	25 072 824	36 568 415
	37 987 032	**58 533 913**

Waste water		
Current (0 -30 days)	1 344 643	2 617 398
31 - 60 days	1 301 962	2 646 082
61 - 90 days	1 255 387	3 547 296
91 - 120 days	1 222 274	3 522 469
121 - 365 days	9 546 669	3 227 122
> 365 days	16 467 892	51 870 893
	31 138 827	**67 431 260**

Refuse		
Current (0 -30 days)	781 976	1 287 930
31 - 60 days	758 841	1 244 625
61 - 90 days	748 873	1 217 460
91 - 120 days	733 560	1 206 860
121 - 365 days	742 355	1 168 823
> 365 days	4 779 720	26 003 882
	8 545 325	**32 129 580**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Receivables from exchange transactions (continued)

Property rental debtors

Current (0 -30 days)	19 439	30 281
31 - 60 days	19 143	29 599
61 - 90 days	18 752	29 287
91 - 120 days	17 910	29 006
121 - 365 days	17 558	197 207
> 365 days	894 394	266 285
	987 196	**581 665**

Other

Current (0 -30 days)	3 813 671	527 832
31 - 60 days	4 633 408	1 136 878
61 - 90 days	4 679 711	434 607
91 - 120 days	4 410 494	622 295
121 - 365 days	3 352 118	2 982 754
> 365 days	6 751 546	53 981 200
	27 640 948	**59 685 566**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Industrial / commercial		
Current (0 -30 days)	1 681 668	7 705 275
31 - 60 days	2 137 265	7 663 516
61 - 90 days	1 910 314	1 592 014
91 - 120 days	1 855 253	1 701 309
121 - 365 days	15 097 296	10 604 297
> 365 days	122 623 065	105 713 248
	145 304 861	**134 979 659**

Residential		
Current (0 -30 days)	6 640 921	5 794 193
31 - 60 days	6 808 178	5 667 373
61 - 90 days	6 505 254	5 509 355
91 - 120 days	6 294 074	5 434 916
121 - 365 days	48 626 428	37 308 100
> 365 days	409 263 801	349 295 984
	484 138 656	**409 009 921**

National and provincial government		
Current (0 -30 days)	131 980	81 737
31 - 60 days	119 546	62 517
61 - 90 days	95 517	60 602
91 - 120 days	88 081	43 272
121 - 365 days	639 593	255 296
> 365 days	2 769 726	1 862 213
	3 844 443	**2 365 637**

Total		
Current (0 -30 days)	8 913 369	13 873 370
31 - 60 days	9 499 820	13 573 902
61 - 90 days	9 021 857	7 344 904
91 - 120 days	8 628 481	7 344 738
121 - 365 days	41 915 405	48 188 438
> 365 days	550 819 821	469 228 937
	628 798 753	559 554 289
Less: Allowance for impairment	(477 569 062)	(304 627 704)
	151 229 691	**254 926 585**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(304 627 704)	(303 270 618)
Contributions to allowance	(172 941 358)	(1 357 086)
	(477 569 062)	**(304 627 704)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Receivables from exchange transactions (continued)

Statutory receivables general information

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

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

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

The following accounts are specifically excluded from the assessment for impairment:
Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly;
Receivable accounts which relate to:
Business owners
Industrial businesses
Corporates and organs of state
and
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

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

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

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Individual receivable impairment shall identify individual receivable accounts that meet any one of the following criteria:

A debtor that has been placed under or applied for liquidation or sequestration;
Debtors where the last payment date by the customer was before 31 March of the current financial year;
Accounts handed over to debt collectors and/or power of attorney;
All accounts indicated as in-active accounts on the system;
When a formal arrangement is made on arrears debt, and the debtor has defaulted on this arrangement for a period in excess of 30 days during the financial year; and
When accounts have been formally presented to the CFO for consideration for write off
A group assessment of receivables shall further be conducted on the remaining receivables taking into account the following criteria:
All accounts with balances outstanding for longer than ninety (90) days as these accounts are considered to be past due.

Receivables from exchange pledged as security

No receivables from exchange transactions were pledged as security.

Figures in Rand	2023	2022

10. Receivables from exchange transactions (continued)

Receivables from exchange debtors impaired

As of 30 June 2023, receivables from exchange transactions of R 628 798 753 (2022: R 562 061 403) were impaired and provided for.

The amount of the provision was R 477 569 063 as of 30 June 2023 (2022: R 304 627 704).

The ageing of the amounts considered for impairment are as follows:

1 month past due	9 035 914	8 970 550
2 months past due	8 786 371	6 751 007
3 months past due	8 223 640	7 003 621
3 to 6 months	23 803 428	6 336 998
Over 6 months	578 026 853	532 999 227

11. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	126 127 189	112 682 875
Fines	7 638 140	5 143 650
	133 765 329	**117 826 525**
Less: Allowance for impairment		
Consumer debtors - Rates	(74 374 679)	(82 422 335)
Fines	(7 630 108)	(5 000 494)
	(82 004 787)	**(87 422 829)**
Net balance		
Consumer debtors - Rates	51 752 510	30 260 540
Fines	8 032	143 158
	51 760 542	**30 403 698**

Rates		
Current (0 -30 days)	2 363 397	3 393 677
31 - 60 days	1 806 535	2 858 277
61 - 90 days	2 002 266	2 782 330
91 - 120 days	1 738 674	2 741 226
121 - 365 days	13 297 635	17 977 524
> 365 days	108 385 374	82 929 841
	129 593 881	**112 682 875**

Figures in Rand	2023	2022

11. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Industrial / commercial		
Current (0 -30 days)	821 209	998 310
31 - 60 days	532 419	705 787
61 - 90 days	520 466	669 602
91 - 120 days	504 673	655 191
121 - 365 days	3 733 984	4 333 184
> 365 days	22 103 652	24 397 081
	28 216 403	**31 759 155**

Residential		
Current (0 -30 days)	784 577	941 809
31 - 60 days	701 457	845 247
61 - 90 days	711 774	830 828
91 - 120 days	679 185	819 559
121 - 365 days	5 276 896	5 518 387
> 365 days	28 248 599	28 031 747
	36 402 488	**36 987 577**

National and provincial government		
Current (0 -30 days)	187 606	566 533
31 - 60 days	178 065	571 139
61 - 90 days	173 339	566 668
91 - 120 days	172 422	557 448
121 - 365 days	1 269 407	3 326 598
> 365 days	7 622 402	10 293 420
	9 603 241	**15 881 806**

Other		
Current (0 -30 days)	570 005	887 026
31 - 60 days	394 595	736 104
61 - 90 days	596 688	715 232
91 - 120 days	382 394	709 028
121 - 365 days	3 017 347	4 799 356
> 365 days	20 339 154	24 701 720
	25 300 183	**32 548 466**

Total		
Current (0 -30 days)	2 363 397	3 393 677
31 - 60 days	1 806 535	2 858 277
61 - 90 days	2 002 266	2 782 330
91 - 120 days	1 738 674	2 741 226
121 - 365 days	13 297 635	17 997 524
> 365 days	104 918 682	82 909 841
	126 127 189	112 682 875
Less: Allowance for impairment	(74 374 679)	(82 422 335)
	51 752 510	**30 260 540**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(82 422 334)	(80 699 633)
Contributions to allowance	-	(1 722 701)
Reversal of allowance	8 047 656	-
	(74 374 678)	**(82 422 334)**

Included in receivables from non-exchange transactions above are statutory receivables as described below:

11. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

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

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

Figures in Rand	2023	2022

11. Receivables from non-exchange transactions (continued)

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

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

The following accounts are specifically excluded from the assessment for impairment:
Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly;
Receivable accounts which relate to:
Business owners
Industrial businesses
Corporates and organs of state
and
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable
.
In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain.

The National Prosecuting Authority (NPA) has issued a countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months if no summons has been issued.

Additionally, where a summons has been issued and the alleged transgressor fails to appear in court, resulting in a warrant of arrest, the warrant has a lifetime of two years from the date of issue. Should it not been executed within two years, it should also be cancelled.

Based on the above mentioned, individual traffic fines will be assessed to identify the following:

Traffic fines issued in terms of the Criminal Procedure Act, that are outstanding for a period greater than or equal to 18 months, and no summons have been issued; and

Traffic fines where warrants of arrest remain outstanding for greater than or equal to two years, from the date the warrant has been issued.

The above mentioned traffic fines will be considered for 100% of impairment of the rand value outstanding, as it is probable that these traffic fines will be written off by the municipality.

A group assessment of receivables shall further be conducted on the remaining traffic fine receivables taking into account the following criteria:

All fines with balances outstanding beyond the due date for payment

Statutory receivables past due but not impaired

All statutory debtors are considered for impairment.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Receivables from non-exchange transactions (continued)

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R129 593 881 (2022: R112 682 875) were impaired and provided for.

The amount of the provision was R74 374 679 as of 30 June 2023 (2022: R61 744 466).

The ageing of the amounts past due and impaired is as follows:

1 month past due	3 341 939	3 154 383
2 months past due	3 297 544	2 712 699
3 months past due	2 961 341	2 633 493
3 to 6 months	2 859 700	2 501 186
Over 6 months	63 829 267	109 950 794

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	13 367 392	7 221 024

Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as collateral security in the current year.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
First National BANK - Cheque Account - 51590840208	2 277 443	127 587	2 406 502	1 926 027
First National BANK - Current Account - 62054655827	1 383 861	43 459	3 232 832	892 156
First National BANK - Call Account - 62033239783	7 728 058	4 539 163	7 728 058	4 384 606
Total	**11 389 362**	**4 710 209**	**13 367 392**	**7 202 789**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure Grant	-	3 266 189
Energy Efficiency and Demand Side Management Grant	-	30 952
Integrated National Electrification Programme Grant	-	495 860
Municipal Disaster Recovery Grant	5 750 000	-
	5 750 000	**3 793 001**

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

Figures in Rand	2023	2022

14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	66 824 883	(6 714 077)	7 033 191	67 143 997
Provision - Department of water & sanitation	74 945 836	-	-	74 945 836
	141 770 719	**(6 714 077)**	**7 033 191**	**142 089 833**

Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	70 898 819	(10 329 693)	6 255 757	66 824 883
Department of Water and Sanitation	74 945 836	-	-	74 945 836
	145 844 655	**(10 329 693)**	**6 255 757**	**141 770 719**

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each yearend toreflect the best estimate at reporting date. The sites under consideration are the Greylingstad, Siyathemba, and Grootvlei landfill sites.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions (ESS). Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers and Institute of Directors.

Key financial assumptions used in this calculation were as follows:

	Greylingstad	Grootvlei	Siyathemba
CPI	6.17%	6.61%	6.61%
Discount rate	10.92%	11.42%	11.42%
Net effective discount rate	4.75%	5.25%	5.25%

Department of Water and Sanitation

The accounting records of the Department of Water and Sanitation indicate that the Municipality owes the department an amount of R 74 945 836 in historic debt. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The timing of the outflow is unknown as engagements between the Municipality and the department are underway

15. Payables from exchange transactions

	2023	2022
Trade payables	278 290 662	188 488 941
Amounts received in advanced	9 024 471	8 225 988
Retention	11 800 990	12 430 332
Accrued leave pay	12 360 610	11 692 236
Accrued bonus	1 374 013	1 236 554
Accrued expense	63 189 491	32 276 536
Unallocated deposits	10 637 941	10 351 537
Agency fees	23 579 966	13 362 942
Salary clearing Control	2 657 434	2 652 078
	412 915 578	**280 717 144**

16. VAT payable

	2023	2022
VAT payables	354 232	8 404 242

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Consumer deposits

Electricity	2 944 247	2 804 322

18. Revenue

Sale of goods	1 215 142	2 417 705
Service charges	130 661 284	125 225 420
Rental of facilities and equipment	282 299	264 694
Licences and permits	5 456 743	4 575 391
Actuarial gains/losses	1 616 000	1 504 000
Interest received - investment	685 372	220 608
Dividends or similar distributions received	45 033 500	41 611 881
Property rates	31 293 787	33 150 008
Government grants & subsidies	139 047 001	154 363 745
Public contributions and donations	68 867 742	623 363
Fines, Penalties and Forfeits	2 680 250	2 520 850
	426 839 120	**366 477 665**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	1 215 142	2 417 705
Service charges	130 661 284	125 225 420
Rental of facilities and equipment	282 299	264 694
Licences and permits	5 456 743	4 575 391
Interest received - investment	685 372	220 608
Dividends or similar distributions received	45 033 500	41 611 881
	183 334 340	**174 315 699**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	31 293 787	33 150 008
Transfer revenue		
Government grants & subsidies	139 047 001	154 363 745
Public contributions and donations	68 867 742	623 363
Fines, Penalties and Forfeits	2 680 250	2 520 850
	241 888 780	**190 657 966**

19. Sale of Goods

Tender Documents	140 785	178 261
Advertisements	1 932	1 148
Cemetery	106 025	177 920
Escort Fees	-	347
Clearance certificates	386 028	467 020
Occupation Certificates	28 896	11 129
Town Planning and Servitudes	511 979	1 529 739
Valuation Services	316	301
Administrative Handling Fees	38 666	51 084
Incidental Cash Surpluses	515	756
	1 215 142	**2 417 705**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Service charges

Sale of electricity	69 539 824	70 427 834
Sale of water	26 643 140	23 355 951
Solid waste	9 431 092	8 559 760
Sewerage and sanitation charges	25 047 228	22 881 875
	130 661 284	**125 225 420**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	282 299	264 694

22. Fines, Penalties and Forfeits

Overdue Books Fines	-	1 450
Municipal Traffic Fines	2 680 250	2 519 400
	2 680 250	**2 520 850**

23. Licences and permits

Road and Transport	5 456 743	4 575 391

24. Lease rentals on operating lease

Equipment		
Contractual amounts	194 500	-
Plant and equipment		
Contractual amounts	407 808	314 861
	602 308	**314 861**

25. Investment revenue

Interest revenue		
Receivables	45 033 500	41 611 881
Interest revenue		
Bank	685 372	220 608
	45 718 872	**41 832 489**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Property rates

Rates received

Property rates	31 293 787	33 150 008

Valuations

Residential	1 273 007 100	1 273 007 100
Commercial	355 982 500	355 982 500
State	388 367 400	388 367 400
Mining	34 506 000	34 506 000
Vacant Land	46 268 000	53 171 000
Argriculture	2 097 076 000	2 097 076 000
Public Service Properties	138 739 270	138 739 270
Place of worship	37 160 000	37 160 000
Multi purpose properties	2 560 000	2 560 000
	4 373 666 270	**4 380 569 270**

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies

Operating grants		
Equitable share	91 860 001	82 053 500
Energy Efficiency and Demand Side Management Grant	4 000 000	2 993 700
Expanded Public Works Programme Integrated Grant	1 444 000	1 485 000
Local Government Financial Management Grant	2 800 000	2 800 000
	100 104 001	**89 332 200**
Capital grants		
Municipal Infrastructure Grant	20 943 000	24 150 811
Integrated National Electrification Programme Grant	18 000 000	35 801 140
Regional Bulk Infrastructure Grant	-	5 079 594
	38 943 000	**65 031 545**
	139 047 001	**154 363 745**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	91 860 001	72 310 745
Unconditional grants received	46 406 951	82 053 000
	138 266 952	**154 363 745**

Equitable Share

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

All registered indigents receive a monthly subsidy which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 266 189	27 417 000
Current-year receipts	20 943 000	(24 150 811)
Conditions met - transferred to revenue	(20 943 000)	-
Other - Transfer to equitable share	(3 266 189)	-
	-	**3 266 189**

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

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	30 952	24 652
Current-year receipts	4 000 000	3 000 000
Conditions met - transferred to revenue	(4 000 000)	(2 993 700)
Other - Transfer to equitable share	(30 952)	-
	-	**30 952**

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

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	495 860	-
Current-year receipts	18 000 000	36 297 000
Conditions met - transferred to revenue	(18 000 000)	(35 801 140)
Other - Transfer to equitable share	(495 860)	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

	-	**495 860**

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

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	51 500
Current-year receipts	1 444 000	1 485 000
Conditions met - transferred to revenue	(1 444 000)	(1 485 000)
Amount withheld by treasury	-	(51 500)
	-	-

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

Local Government Financial Management Grant

Current-year receipts	2 800 000	2 800 000
Conditions met - transferred to revenue	(2 800 000)	(2 800 000)
	-	-

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

Municipal Disaster Relief Grant

Current-year receipts	5 750 000	-

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

28. Public contributions and donations

Public contributions and donations	68 867 742	623 363

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs

Basic	41 537 131	39 105 567
Bonus	3 071 070	2 746 848
Medical aid - company contributions	6 063 588	4 668 556
UIF	1 076 812	1 613 832
Leave pay provision charge	1 510 178	1 044 643
Pension Contribution	8 232 930	6 768 508
Travel, motor car, accommodation, subsistence and other allowances	249 680	220 037
Overtime payments	8 038 637	6 216 074
Long-service awards	43 748	322 319
Acting allowances	747 704	825 705
Car allowance	1 444 229	1 273 764
Housing benefits and allowances	391 176	352 734
Standby Allowance	455 552	409 522
	72 862 435	**65 568 109**

Remuneration of municipal manager

Annual Remuneration	991 088	-
Travel allowance	18 342	-
Backpay	46 279	-
Acting allowance	46 113	184 452
Contributions to UIF, Medical and Pension Funds	13 007	-
	1 114 829	**184 452**

Remuneration of chief finance officer

Annual Remuneration	851 597	127 618
Car Allowance	-	5 758
Contributions to UIF, Medical and Pension Funds	10 685	1 653
Acting Allowance	-	136 363
Backpay	4 397	-
	866 679	**271 392**

Remuneration of Director: Community Services

Annual Remuneration	851 597	846 307
Contributions to UIF, Medical and Pension Funds	10 521	65 400
Travel allowance	17 418	18 721
Backpay	47 947	-
	927 483	**930 428**

Remuneration of Corporate Services Director

Annual Remuneration	-	141 051
Contributions to UIF, Medical and Pension Funds	707	37 997
Acting allowance	279 828	143 515
Leave pay	52 964	-
	333 499	**322 563**

Remuneration of Planning and Development Director

Annual Remuneration	-	846 307
Contributions to UIF, Medical and Pension Funds	-	10 756
Acting allowance	120 780	-

Figures in Rand	2023	2022

29. Employee related costs (continued)

	120 780	**857 063**

Remuneration of Technical Services Director

Annual Remuneration	79 242	950 907
Contributions to UIF, Medical and Pension Funds	983	11 486
Acting allowance	170 684	-
Travel allowance	6 483	24 014
	257 392	**986 407**

30. Remuneration of councillors

Executive Major	923 784	838 706
Chief Whip	673 417	513 245
Mayoral Committee Members	1 397 542	1 284 144
Speaker	684 789	647 827
Councillors	2 068 500	2 131 803
	5 748 032	**5 415 725**

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 is entitled to stay at the mayoral residence owned by Council at no cost.

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

Refer to note 44: Related Parties for the detailed disclosure regarding councillors' remuneration.

31. Depreciation and amortisation

Property, plant and equipment	26 906 633	27 783 157
Intangible assets	3 560	3 560
	26 910 193	**27 786 717**

32. Impairment loss

Impairments		
Property, plant and equipment	17 287 939	732 956
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

33. Finance costs

Trade and other payables	29 085 646	16 666 245
Interest cost(Provision)	7 033 191	6 607 757
	36 118 837	**23 274 002**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Debt impairment

Debt impairment	167 523 317	5 427 749
Bad debts written off	7 784 969	4 665 941
	175 308 286	**10 093 690**

35. Bulk purchases

Electricity - Eskom	89 235 478	86 423 310

36. Contracted services

Outsourced Services		
Burial Services	167 009	32 385
Business and Advisory	8 253 171	8 956 476
Catering Services	134 900	-
Hygiene Services	3 374 896	-
Connection/Dis-connection	1 628 059	-
Security Services	11 025 788	7 826 997
Transport Services	10 974 099	4 054 800
Consultants and Professional Services		
Infrastructure and Planning	292 000	3 428 009
Laboratory Services	122 743	-
Legal Cost	6 717 030	3 284 431
Contractors		
Employee Wellness	44 440	-
Maintenance of Buildings and Facilities	180 291	264 980
Maintenance of Equipment	8 300 287	3 516 072
Maintenance of Unspecified Assets	333 554	-
Prepaid Electricity Vendors	885 867	834 849
	52 434 134	**32 198 999**

37. General expenses

Advertising	1 023 947	1 030 796
Auditors remuneration	8 462 562	7 074 663
Bank charges	632 153	698 351
Fines and penalties	-	667 956
Insurance	3 132 984	3 266 667
IT expenses	108 789	175 216
Levies	277 315	729 103
Protective clothing	132 050	753 604
Subscriptions and membership fees	886 827	793 714
Telephone and fax	2 433 236	2 400 130
Travel - local	2 359 158	951 456
Title deed search fees	5 999	12 456
Other expenses	3 413 679	2 995 266
	22 868 699	**21 549 378**

38. Fair value adjustments

Investment property (Fair value model)	767 849	(387 802)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Auditors' remuneration

Fees	8 462 562	7 074 663

40. Cash generated from operations

(Deficit) surplus	(143 090 011)	56 613 355
Adjustments for:		
Depreciation and amortisation	26 910 193	27 786 717
Gain on sale of assets and liabilities	1 757 008	2 167 197
Fair value adjustments	(767 849)	387 802
Impairment deficit	17 287 939	732 956
Debt impairment	175 308 286	10 093 690
Movements in retirement benefit assets and liabilities	193 000	416 000
Movements in provisions	319 114	(4 073 936)
Changes in working capital:		
Inventories	(37 831)	(6 530)
Receivables from exchange transactions	-	(79 186 275)
Consumer debtors	(71 611 392)	-
Other receivables from non-exchange transactions	(21 356 846)	-
Statutory receivables	-	(19 398 069)
Prepayments	-	2 883 333
Payables from exchange transactions	132 198 434	79 485 214
VAT	(8 050 010)	(250 077)
Unspent conditional grants and receipts	1 956 999	(6 442 339)
Consumer deposits	139 925	918 856
Other liabilities	4 509 537	(3 337 612)
	115 666 496	**68 790 282**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	151 229 690	151 229 690
Trade and other receivables from non-exchange transactions	-	51 760 542	51 760 542
Cash and cash equivalents	13 367 392	-	13 367 392
	13 367 392	**202 990 232**	**216 357 624**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	412 915 578	412 915 578
Consumer deposits	2 944 247	2 944 247
VAT Payable	354 232	354 232
	416 214 057	**416 214 057**

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	254 926 858	254 926 858
Trade and other receivables from non-exchange transactions	-	30 403 693	30 403 693
Cash and cash equivalents	7 221 024	-	7 221 024
	7 221 024	**285 330 551**	**292 551 575**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	280 717 144	280 717 144
Consumer deposits	2 804 322	2 804 322
VAT Payable	8 404 242	8 404 242
	291 925 708	**291 925 708**

Figures in Rand	2023	2022

42. Commitments

Authorised capital expenditure

Approved and Contracted for		
• Property, plant and equipment	24 483 233	7 309 835
Total capital commitments		
Already contracted for but not provided for	24 483 233	7 309 835

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	45 252 000	11 281 323
Total operational commitments		
Already contracted for but not provided for	45 252 000	11 281 323

Total commitments

Total commitments		
Authorised capital expenditure	24 483 233	7 309 835
Authorised operational expenditure	45 252 000	11 281 323
	69 735 233	**18 591 158**

This committed expenditure relates to property and equipment and will be financed by available government grants, existing cash resources, funds internally generated, etc.

43. Other financial liabilities

Long term liabilities

Long term liabilites	(4 509 529)	-

The long term liabilities comprise of a total balance owing to The Auditor General of South Africa.
The municipality entered into a payment arrangement for a period of 36 months.

The total debt outstanding as at 30 June 2023 amounted to R 15 009 529 with total monthly installments of R 500 000 a month and additional quarterly payments of R 1 500 000..

The total short term debt payable as at 30 June 2023 is R 10 500 000 and the total Long term debt payable is R 4 509 529.

Notes to the Annual Financial Statements

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44. Contingencies

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

Case	Applicant	Case number	2023	2022
The company is suing the Municipality for an alleged breach of contract in the amount of Twenty Five Million and Two hundred Thousand (R25 00 200.00). The matter is filled in the North Gauteng Division of the High Court under Case 23132/2018. Upon receipt of the summons a notice of intention to defend on the following basis: •That the alleged signed agreement is fraudulent and the signature thereof may be forged and that as a consequence of that, the agreement is ipso facto void and thus unenforceable •The fundamental differences on the purported signatures by the former Municipal Manager on the so called conformation of order and the Service Level Agreement. The Applicant approached the court for a Summary Judgement on the 27th of July 2018. They obtain a warrant of Execution in respect of the Municipal account. The Municipal approached the Court on urgent basis seeking the upliftment of the attachment on the bank account. The court granted an order in favour of the Municipality. An Applicant for a rescission of judgment is filled and awaits a set down for hearing from the Register of Court. •Somewhere towards end of August the same company issued fresh summons in the High Court on the basis of breach of contract for an amount of Four Million and Three Hundred and Fifty Thousand. The matter was set down for trial on the 3rd June 2019. The first respondents raised failure to company with certain directives from the judge. The judge then ordered wasted costs for the day against the Applicant’s Attorneys of Record for not having the explanatory affidavit before the court. In the month of July the Applicant proposed an out of Court settlement which was outright rejected. The Municipality is steadfast that it is not indebted to the Applicant at all hence no settlement agreement would be considered. •The matter was set down and heard by the full bench in the Pretoria High Court on the 13th of December 2019 and the court ordered as following: •The Application for the rescission and setting aside of the summary judgement of 2017 June 2018 by Rautenbanch J is granted. •The Applicant is granted leave to deliver its plea with 10(ten) days of date to this order. •The warrant of execution issued on 29 June 2018 is set aside •Costs are granted against the first responder on the scale between attorney and client. •The Gauteng Legal Practice Council is directed in this matter complied with the requirements of the Legal/practice Act, Rules and Code of Conduct	Smart and Safer Solutions (PTY) LTD	23132/2018	25 000 200	25 000 200

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44. Contingencies (continued)

This matter pertains to one Municipal employee who was allegedly assaulted in 2018 whilst there was protest by the employees. It is allegedly that she suffered head injuries which resulted from concussion and she suffered from depression and post-traumatic stress. As a consequent therefore, the Municipality is sued in the tune of R 1 000 000 .00. According to HR records the employee attended three consultations on separate occasions and is due to submit a close-up report for the claim to be submitted to COIDA for lodgement. Municipality has since filed a notice citing bare denial on the liability claimed. Upon receipt of Summons Municipality will aggressively oppose any claim as per the notice letter.	NOTICE IN TERMS OF SECTION 3(1) OF THE INSTITUTION OF LEGAL PROCEEDINGS AGIANST CERTAIN ORGANS OF STATE ACT NO 40 OF 2002		1 000 000	1 000 000
The Plaintiff has issued Combined Summons against the Municipality in the Regional Court held in Evander wherein an amount of R 293 816.57 plus interest is claimed against the Municipality. It is alleged in the Particulars of Claim the Plaintiff has supplied a 100KVA transformer and dismantling of the older transformer. The matter has been opposed based on the irregular appointment of the service provider and it is currently at a Discovery stage. The matter is now ripe and due for a set down in the foreseeable future	KF PHETLA PROJECTS CC		293 817	293 817
The Department of Water and Sanitation issued summons against the Municipality for an amount of R19 668 311.37 in respect of water consumption for from April 2013 to 31 August 2016. The Municipality through its legal representative file a Notice of Intention to Defend and subsequently a Plea was filed on the 6th of February 2021. The Plaintiff has set the matter down for a pre-trial conference which will culminate into a trial date. The attorney of record for the Municipality has been terminated on the matter due to apparent conflict of interest. A request has been sent to Finance Department for the appointment of a new attorney of record. A new attorney of record has since been appointed and subsequently filed the required papers	DEPARTMENT OF WATER AND SANITATION /DLM		-	-

Notes to the Annual Financial Statements

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44. Contingencies (continued)

The Municipality received a notice in terms of the above section, wherein it is alleged that in October 2020 there was interruptions to power supply through the negligence on the part of the Municipality. Owing to surges in the electricity supply the resident suffered damages in that pump motors burned. She alleged that she suffered damages in the amount of R116 400.00	CATHERINA JOHANNA CLAUDINA		116 400	116 400
Council in its meeting held in March 2020 under item B-01/03/20, resolved to dismiss the Municipal Manager Mr I.P Mutshinyali based on the outcome of DC Hearing The former Municipal Manager referred the matter to CCMA for Conciliation and Arbitration. The Arbitration convened the 14th of June 2021, the parties presented their verbal arguments. Therefore the Commissioner resolved that both parties should submit formal written closing arguments that will be considered in issuing the final award on the matter. On the basis of the above under case number MPMB 975-20 the Commissioner ruled in favour of the Municipality as follows: That the dismissal of the applicant, Isaac Pandelani Mutshinyali, by the responder Dipaleseng Local Municipality was procedurally and substantively fair. The case management to close the file. Based on the above background the former Municipal Manager Mr IP.Mutshinyali exercise his constitutional right to refer the matter to the Labour Court. The Council should note that the former Municipal Manager intends to bring application to the Labour Court on the following terms. Reviewing ,correcting and setting aside the award made by the Arbitrator Mr Freddy Baloyi Reinstating the applicant as from the date of his dismissal being 13 March 2020 on the same terms and conditions that existed at that time prior to his dismissal Granting costs of this in an event of any of the respondents opposing it Granting further and/or alternative relief	IP MUTSHINYALI		-	-
			26 410 417	**26 410 417**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

45. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	Please refer to the general information on page 2
Company Owned by Close Family Member	Nomdric Electrical & Projects CC Director is a close family member of the Municipal Manager
Members of key management	L Cindi - Acting Municipal Manager MH Thokoane - CFO TP Mokoena - Director Corporate Services NB Khanye - Director Community Services and Public Relations Mr P Makhene - Acting Director Infrastructure S Radebe - Acting Director Infrastructure MI Mafolo - Acting Director Infrastructure M Mngomezu - Acting Director Corporate Services TH Masoeu - Acting Director Planning & Economic Dev Inga Mloyeni - Acting Director Planning & Economic Dev LM Msibi - Director Infrastructure Services (01 June - 31 July 2022)

Related party balances

Councillors arrears accounts are disclosed in note 52.

Notes to the Annual Financial Statements

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45. Related parties (continued)

Remuneration of management

Management class: Mayoral committee

2023

Name	Basic salary	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	850 803	40 800	8 300	899 903
Cllr XS Shozi - Speaker	675 484	3 012	6 293	684 789
Cllr TG Shabalala - Chief Whip	639 295	3 012	31 110	673 417
Cllr MG Miya - Mayoral committee member	639 295	728	37 463	677 486
Cllr AN Carrim - Mayoral committee member	639 295	40 800	39 961	720 056
	3 444 172	**88 352**	**123 127**	**3 655 651**

2022

Name	Basic salary	Car Allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	505 125	-	27 200	4 955	537 280
Cllr MG Miya - Member	383 395	-	7 735	11 257	402 387
Cllr AN Carrim - Member	383 395	-	27 200	13 767	424 362
Cllr M Makhubu - Executive Mayor (01/07/2021 - 03/11/2021)	287 289	-	11 551	2 585	301 425
Cllr KB Moeketsi -Speaker (01/07/2021 - 03/11/2021)	161 213	53 738	11 551	1 916	228 418
Cllr PM Mokoena - Chief Whip (01/07/2021 - 03/11/2021)	69 671	21 258	11 922	890	103 741
Cllr D Khanye - Member (01/07/2021 - 03/11/2021)	163 139	50 859	13 600	1 945	229 543
Cllr ZS Ngwenya - Member (01/07/2021 - 03/11/2021)	163 160	50 859	11 922	1 929	227 870
	2 116 387	**176 714**	**122 681**	**39 244**	**2 455 026**

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

The Mayoral committee remuneration above of R 3 655 651, R 2 455 026 (2022) has been included in the remuneration of councillors below.

Management class: Councillors

2023

Name	Basic salary	Car Allowance	Cellphone allowance	Post-employment benefits	Total
Mayoral committee members	3 444 172	-	88 352	123 127	3 655 651
Cllr AK Nyamade	141 242	40 281	1 723	1 654	184 900
Cllr CDV Pienaar	267 208	-	40 800	5 161	313 169
Cllr LK Dhladhla	267 208	-	40 800	2 885	310 893
Cllr MD Makhoba	298 227	-	4 120	20 740	323 087
Cllr AS Nhlapo	267 208	-	40 800	2 885	310 893
Cllr RA Motakane	267 203	-	40 800	2 885	310 888
Cllr ZE Maya	264 220	-	-	2 448	266 668
Cllr Z Radebe	61 003	-	10 200	680	71 883
	5 277 691	**40 281**	**267 595**	**162 465**	**5 748 032**

2022

Name	Basic salary	Car Allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Mayoral committee members	2 116 387	176 714	122 681	39 244	2 455 026
Cllr XS Shozi - Speaker	407 246	-	8 306	3 842	419 394
Cllr TG Shabalala - Chief Whip	392 341	-	8 306	8 856	409 503
Cllr AK Nyamade	245 525	81 842	24 839	8 668	360 874
Cllr CDV Pienaar	164 531	-	27 200	9 610	201 341
Cllr LK Dhladhla	164 531	-	27 200	1 790	193 521
Cllr MD Makhoba	164 531	-	12 975	9 430	186 936

45. Related parties (continued)

Cllr AS Nhlapo	164 531	-	27 200	1 790	193 521
Cllr RA Motakane	164 531	-	27 200	1 790	193 521
Cllr ZE Maya	164 531	-	12 604	1 644	178 779
Cllr WS Davel (01/07/2022 - 03/11/2021)	69 671	21 258	13 600	907	105 436
Cllr TJ Mahlangu (01/07/2022 - 03/11/2021)	90 928	-	12 521	907	104 356
Cllr SME Nhlapo (01/07/2022 - 03/11/2021)	90 928	-	11 401	896	103 225
Cllr LM Maruping (01/07/2022 - 03/11/2021)	90 928	-	11 922	901	103 751
Cllr MF Dlamini (01/07/2022 - 03/11/2021)	69 671	21 258	9 302	864	101 095
Cllr BG Shongwe (01/07/2022 - 03/11/2021)	90 928	-	13 600	918	105 446
	4 651 739	**301 072**	**370 857**	**92 057**	**5 415 725**

46. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2023	2022
Cash and Cash Equivalents	13 367 392	7 221 024
Receivables from exchange transactions	151 229 690	254 926 585

46. Risk management (continued)

Market risk

Interest rate risk

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

47. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions		33 529 726	(3 126 029)	-	30 403 697
Receivables from exchange transactions		257 650 514	(2 723 929)	-	254 926 585
Investment property		39 999 773	(1 607 332)	-	38 392 441
Property, Plant & Equipment		792 347 648	121 173 712	-	913 521 360
Intangible assets		93 930	2 058	-	95 988
Payables from exchange transactions		(267 774 312)	406 402	(13 349 145)	(280 717 055)
VAT payable		(21 888 579)	135 202	13 349 145	(8 404 232)
Accummulated surplus		(615 860 137)	(119 533 539)	-	(735 393 676)
		218 098 563	**(5 273 455)**	**-**	**212 825 108**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		125 579 695	(354 275)	-	125 225 420
Interest received - receivables from exchange transactions		41 625 241	(13 360)	-	41 611 881
Property rates		33 396 127	(246 119)	-	33 150 008
Depreciation and amortisation		(22 228 687)	(5 558 030)	-	(27 786 717)
Debt Impairment		(5 427 748)	-	(4 665 941)	(10 093 689)
Bad debts written off		(4 665 941)	-	4 665 941	-
Bulk purchases		(86 757 617)	-	334 307	(86 423 310)
Loss on disposal of assets		(3 049 141)	881 944	-	(2 167 197)
Fair value adjustment		(404 038)	16 236	-	(387 802)
Inventory consumed		(30 064 952)	-	(334 307)	(30 399 259)
Surplus for the year		**48 002 939**	**(5 273 604)**	**-**	**42 729 335**

Errors

The following prior period errors adjustments occurred:

Error one: Receivables from non-exchange transaction

The prior period error for Receivables from non-exchange transactions arose as a result of error on own-billing which took into account own-billing in 2022 and prior to 2022.

Error two: Receivables from exchange transactions

The prior period error for Receivables from exchange transactions arose as a result of error on own-billing which took into account own-billing in 2022 and prior to 2022.

47. Prior-year adjustments (continued)

Error three: Investment property

The Investment property prior period error is as a result of Donation for TVET collage which covers 13 properties, 9 properties were further identified and derecognised as ownership is not part of the municipality and thet belong to the Hospital and the lastly 13 properties were sold on which the deeds lists.

This has affected the fair value adjustement on prior period error as presented on the Statement of Financial Performance.

Error four: Property, Plant & Equipment:

During the year, the Balfour Waste Water Treatment Works project, which was already completed during the 2021 financial year, was capitalised retrospectively. This project was funded through the RBIG grant via the Gert Sibande District Municipality. However, the amount recorded in the records of the municipality relating to the donation received from the District Municipality did not represent the full spending on the project. These adjustments resulted in the following prior period adjustments.

Borehole rehabilitation project

During the 2023 financial year, additional spending relating to the Borehole Rehabilitation project, which were completed and capitalised during the 2022 financial year, were identified. In order to correct the allocation of the related project expenditure, the expenditure was raised as an accrual in the 2022 financial year and the project capitalisation was updated.

The accumumulated depreciation amounts thus had to change due to derecogntion and the recognition of donations received. This will further have an effect on depreciation and amortization as presented on the Statement of Financial Performance.

The loss on disposal of assets is due to the error of properties which were incorrectly recognised and thus corrected in the current fianacial statements.

Error five: Intangible assets

The prior period error for Intangible Assets is as a result of incorrect computation of amortisation in which accumulated amortisation was corrected as well as amortisation on the Statement of Financial Performance for previous fianacial year.

Error six: Payables from exchange transactions

The prior period error from Payable from exchange transaction is as a result of various transactions identified which were errenously includig on the balance in the previous financial year. Rentention liablity balance did not include certain payments. These payments were incorrectly recorded within property, plant and equipment. Thus the amount was corrected .

The salary control account changed due to amounts which were incorrectly recorded under vat account. The trade creditors contained a BMW which was erroneously recorded. The items as stated have been corrected in current financial year.

It was identified that there were invoices relating to 2022 financial year which were incorrectly recorded in the 2023 financial year. The transactions have been reversed correctly in the 2023 financial year and correctly recorded in the 2022 financial year

Error seven Value added tax

The VAT prior period error was due to amounts incorrectly recorded under salary control which was subsequently reclassified. There was VAT charged on service charges recognised under the revenue which fall under own-billing for the muncipality and due to reversal of that revenue it had an effect on the VAT balance. This was thus correct in current year for previous financial statements.

47. Prior-year adjustments (continued)

Error eight: Service charges

The service charge prior period error is due to an error relating to own-billing on municipal owned property.The accounts which were incorrectly billed were adjusted to correct the overstated revenue.

Error nine: Property rates

The property rates prior period error is due to the error of including own-billing amounts in revenue in the previous fiancial year. This is an error which was identified and discussed by management and thus the decision to exclude own-billing amount on revenue.

Error ten: Depreciation and amortisation

The differences relate to explanations stated under Property plan & equipment and intangible asset error . Refer to error four and error five

Error 11: Bad debts written off

The differences relate to a reclassification to debt impairment which is broken down in note 34 of the financial statements.

Error twelve: Loss on disposal of asset

The differences relate to explanations stated under to Property plan & equipment error. Refer to error four.

Error thirteen: Fair value adjustments:

The differences relate to explanations stated under investment property. Refer to error three.

Error Fourteen: Water Invetory:

The reclassification arose due to incorrect classification idenitified in the current financial year. The municipality correctly reclassified bulk water purchases to inventory consumed and applied to correction retrospectively.

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had surplus (deficit) of R (143 090 011) and that the municipality's total assets exceed its liabilities by R 648 917 249.

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

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations

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

We draw attention to the fact that at 30 June 2023, the municipality's current liabilities exceed its current assets by R 206 232 006.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Events after the reporting date

Subsequent to the reporting date and before the conclusion of the audit of the annual financial statements, the following events occurred:

Non-Adjusting Events

Dipaleseng Local Municipality was requested by the STATE to appear in court on 06 November 2023 on the bases of accusations of unlawfully, intentionally and negligently committed an act which will likely cause significant pollution to the environment with the disposal and distribution of blood raw sewer sludge, affluent of raw and untreated sewer with high volumes of faecal coliform E-coli into various wastewater treatment plants.

As at reporting date, management could not estimate a reliable or probable outflow of future economic benefit(s) due to the fact that the matter is still to be finalised based on the next court appearance which has not yet been determined.

50. Unauthorised expenditure

Opening balance as previously reported	299 420 909	247 017 791
Add: Unauthorised expenditure - current	260 030 040	52 403 118
Closing balance	**559 450 949**	**299 420 909**

Unauthorised expenditure incurred relates to overspending due to the costing allocation amongst the departments.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	39 958 544	22 301 000
Add: Fruitless and wasteful expenditure identified - current	29 086 179	17 657 544
Less: Amount written off - current	(22 304 011)	-
Closing balance	**46 740 712**	**39 958 544**

Fruitless and wasteful expenditure incurred relates to interest on late payment to suppliers do to cashflow constraints which the municipality is facing and attempting to curb.

52. Irregular expenditure

Opening balance as previously reported	239 983 947	162 794 673
Correction of prior period error	9 363 446	77 189 274
Add: Irregular expenditure - current	108 744 654	-
Closing balance	**358 092 047**	**239 983 947**

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	-	761 714
Current year subscription / fee	822 024	32 000
Amount paid - current year	(822 024)	(32 000)
Amount paid - previous years	-	(761 714)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Other material losses

Distribution loss- electricity	25 180 938	25 325 846
Distribution loss- Water	52 324 831	48 291 208
	77 505 769	**73 617 054**

Electricity losses

Electricity distribution losses for the current year of R 25 180 938 (2022: R25 325 846) was incurred, which represents 28.22% (2022: 29.30%). These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses

Water losses

Water losses comprises of water lost during the distribution process. These losses are made up of unauthorised connections (theft), unauthorised consumption, plus all technical and administrative inaccuracies associated with customer metering and billing.The water losses amount to R 52 324 831 (2022: R48 291 208) which represents 76% (2021: 74%)

Audit fees

Opening balance	13 584 860	4 508 844
Current year subscription / fee	10 646 434	10 822 856
Amount paid - current year	(9 221 765)	(1 746 840)
	15 009 529	**13 584 860**

PAYE and UIF

Opening balance	909 538	2 953 101
Current year subscription / fee	12 060 685	10 338 379
Amount paid - current year	(11 982 686)	(12 381 942)
	987 537	**909 538**

Pension and Medical Aid Deductions

Opening balance	971 492	-
Current year subscription / fee	11 867 515	10 538 878
Amount paid - current year	(11 169 111)	(9 567 386)
	1 669 896	**971 492**

The amount represents pension and medical aid contributions deducted from employees.

VAT

VAT payable	354 232	8 404 242

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

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

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	3 451	34 117	37 568
Cllr Mojalefa Miya	1 782	56 072	57 854
Cllr Z Radebe	2 753	88 113	90 866
Cllr Muzikayise Makhoba	864	8 411	9 275
Cllr Kent Nyamade	4 042	177 339	181 381
	12 892	**364 052**	**376 944**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	2 208	32 567	34 775
Cllr Mojalefa Miya	1 106	49 750	50 856
Cllr Kent Nyamade	2 480	163 110	165 590
Cllr Muzikayise Makhoba	1 711	78 342	80 053
	7 505	**323 769**	**331 274**

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

30 June 2023	Highest outstanding amount	Aging (in days)
Cllr Kent Nyamade	181 381	-

30 June 2022	Highest outstanding amount	Aging (in days)
Cllr Kent Nyamade	165 591	-

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

Supply chain management regulations

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

Incident		
Emergency	22 841 205	23 044 390
Impractical or Impossible to follow the process	-	75 264
	22 841 205	**23 119 654**

53. Additional disclosure in terms of Municipal Finance Management Act (continued)
Details of the current year supply chain deviations

Supplier	Description	Amount
MPOPHOMA CONSTRUCTION	Underground cable fault detection joining preferably using the master joining kits Voltage level 6.6kv	342 125
Hesh Tag Imvumo	Appointment of a service provider for provision of security for a period of three years	5 438 576
Zamaswazi vehicle centre	Fixing of motor vehicle	14 679
Workshop Electronics	Supply Fit and setup new PC including loading of brakes tester software and calibration verification	33 040
Hamilton Hydraulic Services	Servicing and repairs of Jaws of life (Fire and rescue emergency vehicle)	57 388
Phakama Industrial	Supply Installation and ccommissioning of the damaged MV /6.6kV Underground Cable in Grootvlei Eskom P Side area	658 375
Modabee Projects 1984	Supply ,Installation and commissioning of MV /11Kv Underground Cable in Grootvlei	599 959
Senaba Crown	Fixing ,reparing and maitaining the TLB	208 305
Mpophoma Construction	3 x removal ,restoration commissioning of the damaged three phase induction motor at fortuns water purification plant, Actom electrical induction motor voltage level: 400 V Current : 315A Rotation Speed : 1450rmp	5 463 650
Variprint System Pty Ltd	Procurement of code C1,C,EC1 AND EC BOOKS	96 330
Government Printing Works	Supply and Delivery Licencing Books	73 189
Mpophoma Construction	3 x Supply ,Installation,Repair of Pumps in greylingstad	2 473 920
Moreki	Hiring of Heavy Vacuum Truck	189 865

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

Nomatopi Projects	1 x supply ,installation and commissioning of the miniature substation ,surface based out door type ,with the apparent capacity of 500kva voltage ration 6.6kv/400v vector group DY11,Impedance 4.5% ,installation of 6.6kv medium voltage on connected mv and lv compartments	2 155 060
Mavutha Contractors Enterprise Pty Ltd	Migration of LV400/V Underground cable system to Overhead ABC New network ,Length of the abc 150m long size 15mm x 4 cores ,4 x lv wooden poles length 9m long	1 988 955
Dovecall Properties	Re-Installation of package plant in ridgeview	486 450
Gert Sibande College	Training for 8 learners Gap analysis	5 600
AUTOCITY	FIXING OF MOTOR VEHICLE	37 927
Workshop Electronics	Service and calibration 1 lane A grade	15 789
Tlotlo and Lebone Trading Enterprise	Hiring of a heavy duty vacuum truck for 3 weeks	220 500
Senaba Crown	Supply ,repairs and maintenance of DLM Fleet	144 148
Auto Ren Heidelberg	Servicing of motor vehicle	4 555
Toyota South Africa	Servicing of motor vehicle	11 178
Tlotlo and Lebone Trading Enterprise	Hiring of a heavy duty vacuum truck for 3 weeks	303 000
Kumkani Tolo Holdings	Supply and Delivery of 2000 Steel Diesel Boyser	110 995
Remiel Trading	Supply and delivery of Road Maintenance for jet patcher truck, washed stone, bitumen emulsion, crasher dust and paraffin.	609 526
Auto Ren Heidelberg	Fixing of motor vehicle	15 618
Tlotlo Lebone	Hiring of a water truck	18 545
Senaba Crown	Repairing of Rear Cylinder ,Front Pipe ,Oil Injector;Repair leaking diesel	65 199
Senaba Crown	Fixing of Ash Truck	3 393
Zamaswazi vehicle centre	Fixing of Electric motor vehicle	47 668
Pepe Piatto	Accommodation	61 200

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

Supa Quick	Fixing of municipality vehicles	74 825
Gifted Jack	100 Aggregate (Washed Stone 9.5mm White stone,50 Cationic Buitemen Emulsion (KRS 65) 20 Litres Parrafin	77 142
Tde Contractors	Hiring of Heavy Vacuum Truck	194 500
Tossas	Supply and delivery of road maintenance supplies	321 149
Sinhla Construction	Supply and delivery of Aggregate Washed Stones and Paraffin	60 998
Turf Master	Supply and delivery of water and sewer pumps	88 444
Peppe Piato	Accommodation for Jet Patcher Driver	69 440
		22 841 205

54. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.
Activities relating to Finance and Administration, Executive and Council and Planning and Development fall under unallocated.

The four key business units comprise of:

- Community which includes cemetries, community halls & parks and libraries.
- Public safety which includes licensing and control of animals, police forces, traffic and street parking control.
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Roads which includes roads services.

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	131 811 700	134 921	6 465 545	-	47 306 023	185 718 189
Revenue from non-exchange transactions	88 056 655	-	2 680 249	-	151 151 875	241 888 779
Total segment revenue	**219 868 355**	**134 921**	**9 145 794**	**-**	**198 457 898**	**427 606 968**
Entity's revenue						**427 606 968**
Expenditure						
Employee related costs	19 186 889	8 281 769	5 547 099	2 895 325	40 572 015	76 483 097
Remuneration for councillors	-	-	-	-	5 748 031	5 748 031
Depreciation and Amortisation	21 399 179	1 905 714	2 957 451	-	647 848	26 910 192
Impairment	3 124 396	-	-	-	14 163 542	17 287 938
Finance costs	7 033 191	-	-	-	29 085 645	36 118 836
Lease rentals on operating lease	194 500	-	-	-	407 808	602 308
Debt impairment	-	-	-	-	175 308 285	175 308 285
Bulk purchases	89 235 478	-	-	-	-	89 235 478
Contracted services	17 504 855	12 418 162	-	187 181	22 323 935	52 434 133
Loss on disposal of asset	1 111 366	645 642	-	-	-	1 757 008
Inventory consumed	64 073 968	496 258	-	1 111 333	261 410	65 942 969
General expenses	(4 270 440)	110 676	293 760	58 430	26 676 271	22 868 697
Total segment expenditure	**218 593 382**	**23 858 221**	**8 798 310**	**4 252 269**	**315 194 790**	**570 696 972**
Total segmental surplus/(deficit)						**(143 090 004)**

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54. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and Cash equivalents	(35 469 728)	(78 897 186)	90 082 210	(68 642 947)	106 295 042	13 367 391
Inventories	208 477	-	-	-	(35 051)	173 426
Receivables from exchange transactions	33 323 295	-	-	-	117 906 393	151 229 688
Receivables from non-exchange transactions	8 388 920	-	7 793 390	-	35 578 232	51 760 542
Investment Property	-	-	-	-	39 160 289	39 160 289
Property, Plant and Equipment	504 304 960	(26 139 519)	-	(66 967 608)	565 892 074	977 089 907
Intangible assets	-	-	-	-	92 428	92 428
Total segment assets	**510 755 924**	**(105 036 705)**	**97 875 600**	**(135 610 555)**	**864 889 407**	**1 232 873 671**
Total assets as per Statement of financial Position						**1 232 873 671**
Liabilities						
Consumer deposits	45 991	-	-	-	(2 990 237)	(2 944 246)
Payables from exchange transactions	(221 690 054)	(20 344 531)	(35 960 813)	(22 353 933)	(112 566 245)	(412 915 576)
VAT Payable	6 456 522	9 381 115	(26 423 143)	8 988 976	1 242 298	(354 232)
Unspent conditional grants and receipts	60 975 350	(66 725 350)	-	-	-	(5 750 000)
Provisions	(63 194 676)	-	-	-	(78 895 157)	(142 089 833)
Employee benefit obligation	-	-	-	-	(15 393 000)	(15 393 000)
Other financial liabilities	-	-	-	-	(4 509 529)	(4 509 529)
Total segment liabilities	**(217 406 867)**	**(77 688 766)**	**(62 383 956)**	**(13 364 957)**	**(213 111 870)**	**(583 956 416)**
Total liabilities as per Statement of financial Position						**(583 956 416)**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

2022

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	125 559 233	189 048	4 972 374	-	45 099 043	175 819 698
Revenue from non-exchange transactions	76 698 053	1 450	2 519 400	13 156 157	98 282 906	190 657 966
Total segment revenue	**202 257 286**	**190 498**	**7 491 774**	**13 156 157**	**143 381 949**	**366 477 664**
Entity's revenue						**366 477 664**
Expenditure						
Employee related costs	16 425 339	7 045 750	5 325 738	2 605 903	37 717 688	69 120 418
Remuneration of councillors	-	-	-	-	5 415 725	5 415 725
Depreciation and Amortisation	20 992 962	2 307 811	-	3 705 265	780 678	27 786 716
Impairment	80 495	-	-	-	652 459	732 954
Finance costs	6 255 757	-	-	-	17 018 245	23 274 002
Lease rentals on operating lease	-	-	-	-	314 861	314 861
Debt impairment	-	-	-	-	10 093 689	10 093 689
Bulk Purchases	-	-	-	-	86 423 310	86 423 310
Contracted services	8 164 527	8 217 907	22 768	199 388	15 594 407	32 198 997
Loss on disposal of assets and liabilities	1 861 617	-	-	174 772	130 807	2 167 196
Fair value adjustments	-	-	-	-	387 802	387 802
Inventory consumed	29 742 622	232 429	-	160 000	264 207	30 399 258
General expenses	-	-	291 978	-	21 257 399	21 549 377
Total segment expenditure	**83 523 319**	**17 803 897**	**5 640 484**	**6 845 328**	**196 051 277**	**309 864 305**
Total segmental surplus/(deficit)						**56 613 359**

Notes to the Annual Financial Statements

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54. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and Cash equivalents	(27 709 821)	(66 750 119)	64 871 295	(54 409 680)	91 219 348	7 221 023
Receivables from exchange transactions	1 979 372	-	-	-	252 947 213	254 926 585
Receivables from non-exchange transactions	8 388 920	-	5 298 900	-	16 715 877	30 403 697
Inventories	170 646	-	-	-	(35 051)	135 595
Investment property	-	-	-	-	38 392 440	38 392 440
Property, plant and equipment	304 335 346	(26 134 613)	-	(66 369 164)	701 689 789	913 521 358
Intangible assets	-	-	-	-	95 988	95 988
Total segment assets	**287 164 463**	**(92 884 732)**	**70 170 195**	**(120 778 844)**	**1 101 025 604**	**1 244 696 686**
Total assets as per Statement of financial Position						**1 244 696 686**
Liabilities						
Payables from exchange transactions	(144 508 116)	(9 528 343)	(19 945 599)	(6 980 713)	(99 754 373)	(280 717 144)
VAT Payable	(93 371)	7 615 104	(17 786 016)	5 675 730	(3 815 691)	(8 404 244)
Consumer deposits	41 425	-	-	-	(2 845 747)	(2 804 322)
Unspent conditional grants and receipts	110 687 157	-	-	13 156 157	(127 636 314)	(3 793 000)
Provisions	-	-	-	-	(142 777 717)	(142 777 717)
Employee benefit obligation	-	-	-	-	(14 193 002)	(14 193 002)
Total segment liabilities	**(33 872 905)**	**(1 913 239)**	**(37 731 615)**	**11 851 174**	**(391 022 844)**	**(452 689 429)**
Total liabilities as per Statement of financial Position						**(452 689 429)**

55. Budget differences

Material differences between budget and actual amounts

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

Figures in Rand	2023	2022

55. Budget differences (continued)

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

Differences between budget and actual amounts basis of preparation and presentation

Employee related costs

The over performance was due to the excessive overtime which was worked. The overtime has been referred to MPAC for investigation.

Finance charges

Over performances is due to interest charged on the bulk purchases relating to water

Depreciation

Over performances is due to accelerated impairment on infrastrure assets due to ageing infrastructure and vandelism.

Inventory consumed & bulk purchases

The over performance on inventory consumed and bulk purchases is due an increase in water chemical purchases for improved water quality.

Other expenditure

The over performance on other expenditure is as a result of increased and more realistic impairment estimations which were informed by payment analysis.

Balance sheet

Current Assets

The over performance is due to the non-payment of consumer accounts. The municipality also received grants towards the end of the year which would increase cash and cash equivalents.

Non-Current Assets

The increase in non-xurrent assets is attributed to the increase in the fair value valuation in the current year. There were also capital infrastructure which was donated/transferred to the municipality.

Current liabilities

Payables from exchange transactions

Payables from exchange transactions is due to cash flow constraints which the municipality experienced in the current year which led to delayed payment to suppliers and an increased debt book at reporting date.

Changes from the approved budget to the final budget

55. Budget differences (continued)

Employee related cost

The decrease in employee related costs were due to vacancies which had not been filled.

Debt Impairment

During the financial year under review, the municpality made use of debt collection services on outstanding debtors. There was an anticipation of a higher collection rate. This led to a decrease in the estimated impairment of debtors.

Finance charges

The increase in finance cost was due to cash flow constraints. Through trend analysis within the first six months of the financial year, the municipality had been charged with interest on late payments. This prompted the increase in finance costs.

Bulk Purchases and inventory consumed

The increase in bulk purchases was informed through the analysis of expenditure during the first six months of the financial year. The municipality experienced a spike in cable theft. The frequency of purchases of water chemicals led to an increase in inventory consumed.

56. Accounting by principals and agents

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

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has a payable to the Department of Community Safety, Security and Liaison.

The expected timing of remittance of resources from the prinicpal is on a monthly basis

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5 456 743 (2022: R4 575 391).

Dipaleseng Local Municipality entered into transaction with the Department of Community Safety, Security and Liaison through the Licencing operations which run through the financial year where the Municipality earns a commission of 20% and payment over 80% to the Department.

Entity as principal

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

Ontec Systems (Pty) Ltd sells prepaid electricity on behalf of the Municipality.

The municipality has no receivable from Ontec Pty (Ltd) for vending of prepaid electricity.

The expected timing of remittance of resources by the agent to the Municipality is on a monthly basis.

Ontec Systems (Pty) Ltd will use its own equipment and software to management the vending of prepaid electricity. The system will ensure a 24-hour platform for prepaid electricity purchase 7 days a week of the month which enhances revenue to the Municipality.

Significant changes

There were no significant changes in the terms and conditions of the agreement between the Municipality and Ontec (Pty) Ltd during the year.

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56. Accounting by principals and agents (continued)

Fee paid

Fee paid as compensation to the agent	739 702	834 849

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Either party may terminate the contract if the other party fails to cure any material breach of the contract within 30 days of written notice.

Unless the agreement is terminated on account of a breach by the Municipality Ontec shall use commercially reasonable efforts to transition to a new service provider.

57. Change in accounting Estimate

Debt Impairment - Receivables from exchange and Non-Exchange transactions

During the 2022/2023 financial year the estimate used in determinig debt impairment for receivables from Exchange and Non-Exchange transactions was assessed and changed.

The change was as a result of certain categories of debtors being excluded for impairment consideration. The categories include:

- Business owners
- Industrial businesses
- Corporates and organs of State

The change in estimate resulted in a more accurate reflection of the total debtors of the Municipality.

The effect of the changing in debt impairment estimate for the Municipality during 2022/2023 resulted in a more accurate reflection of impairment in the statement of financial performance and a more accurate reflection of receivables from Exchange and Non-Exchange transactions in the Statement of Financial Position. The effect has a qualitative impact rather than a quantitative effect. It is impracticable to estimate the effect of these changes on future periods.