GOODWILL CONQUERS

BUSHBUCKRIDGE

LOCAL MUNICIPALITY

Bushbuckridge Local Municipality

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

General Information

LEGAL FORM OF ENTITY	Municipality in terms of section 9f the Local Government: Municipal Structurers Act (Act 117 of 1998) read with section 155 (1) of the Constitution of Republic of South Africa (Act 108 of 1996)
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 (MFMA)
MEMBERS OF COUNCIL	
Member of Mayoral Commitee	Cllr CS Nxumalo : Executive Mayor Cllr BR Rakganya : Speaker Cllr BW Malandule BW : Chief Whip Cllr VN Mzimba : Social Development) Cllr ML Lekhuleni : MPAC: Chairperson Cllr S Mathebula : Corporate Services Cllr TW Ngomane: Finance Cllr MP Gumede : Sport,Culture & Heritage Cllr ML Nkuna : Technical Services Cllr P Gubayi : EDPE Services Cllr PM Sambo : Community Services Cllr LM Lekhuleni: MPAC Chairperson

General Information

Councillors	Clrr DV Mdluli Cllr SO Makhubela Cllr R Qhibi Cllr SC Malomane Cllr ST Mkhabela Cllr K Nukeri Cllr L Matsie Cllr AW Hlatshwayo Cllr SO Malatsie Cllr GB Sebatane Cllr M Mangani Cllr S Khumalo Cllr C Mnisi Cllr KR Mashile Cllr PM Sambo Cllr E Mashele Cllr TT Mapaila Cllr MG Mbazima Cllr OK Mokoena Cllr LM Mashile Cllr GW Nziyane Cllr ML Monareng Cllr RJ Ngomane Cllr T Nxumalo Cllr VJ Mokgotho Cllr KJ Shabangu Cllr MP Mashego Cllr MH Mpangane Cllr Z Nyathi Cllr P Matlhavane Cllr EE Mabunda Cllr T Mthombeni Cllr BM Mpangana Cllr JT Madalane Cllr RS Mashego Cllr E Mashego Cllr TR Mashigo Cllr A Mkonto Cllr D Ngobeni Cllr BN Ngobeni Cllr ST Mahlakoane Cllr JB Malomane Cllr BS Mametja Cllr A Mashaba Cllr N Mogane Cllr SM Hlatywayo Cllr G Shabangu Cllr TM Shabangu Cllr SL Sithole Cllr TG Nzima Cllr RH Mokoena Cllr A Mokoena Cllr BP Mngomezulu Cllr BV Mnisi Cllr G Mashego Cllr HP Thobakgale Cllr F Mbhandze Cllr ML Ndlovu Cllr KI Dube Cllr AM Mathebula Cllr IS Mashava Cllr HE Sihlabela Cllr SH Kubayi

General Information

GRADING OF LOCAL AUTHORITY	4
CHIEF FINANCIAL OFFICER (CFO)	Ms. T Mathabatha (Appointed 1 December 2022) Mr. MB Matlala (Acting CFO until 30 November 2022)
ACCOUNTING OFFICERS	Mr J Ngobeni (Appointed 1 February 2023) Mr AM Mnisi (Acting from 2 November 2022-31 January 2023) Mrs. CA Nkuna (Term ended on 1 November 2022)
REGISTERED OFFICE	R533 Graskop Road Bushbuckridge 1280
POSTAL ADDRESS	Private Bag X9308 Bushbuckridge 1280
BANKERS	First National Bank Limited Standard Bank of South Africa Limited
AUDITORS	The Auditor General South Africa (AGSA)

Contents

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

Abbreviations used:

AGSA	Auditor General South Africa
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
EEDG	Energy Efficiency Demand Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
VAT	Valued Added Tax
DORA	Division of Revenue Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officers acknowledge that they are 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 officers 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 officers are 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 officers have 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, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2023 and were signed on its behalf by:

Mr J Ngobeni
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meet on a regular basis as per its approved terms of reference. During the current year seven number of meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Ms. P Mokgope (Chairperson)	7
Advocate G. Khoza	7
Ms. P Ntuli (CA,SA)	6
Mr.K Mhlongo	7
Mr. J Ngobeni (Resigned 30 January 2023)	4

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the unaudited annual financial statements, annual perfomance information with management and were satisfied.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

AUDITOR-GENERAL OF SOUTH AFRICA

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ____________________

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2023.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipality is engaged in provision of municipal services in terms of the municipal systems act no.32 of 2000 (MSA) and Municipal Finance Management Act no.56 of 2003 (MFMA) and operates in South Africa.

Net surplus of the municipality was 2023 R 481,491,332 (2022: R 357,331,845).

2. GOING CONCERN

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) 6,384,096,299 and that the municipality's total assets exceed its liabilities by 6,384,096,299.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The municipality is a going concern based on the following;

- Current assets exceed current liabilities
- Under DORA the municipality has been allocated funds for three years 2023/24 to 2025/26
- There is no indication of a possibility of default by the government in paying grants under the Act. This is corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.
- In addition the municpality collects revenue for services rendered and this will augment cashflows in subsequent years.

3. SUBSEQUENT EVENTS

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

4. ACCOUNTING OFFICERS' INTEREST IN CONTRACTS

The Accounting Officer has completed the declaration of interest as is required in terms of Supply Chain Regulations.

5. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the MFMA and standards of GRAP including any interpretations of such Statements issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

6. ACCOUNTING OFFICER

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr J Ngobeni	South African	Appointed Wednesday, 01 February 2023
Mr AM Mnisi	South African	Appointed Wednesday, 02 November 2022
Mrs. CA Nkuna	South African	Term ended 1 November 2022

Accounting Officer's Report

7. CORPORATE GOVERNANCE

GENERAL

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

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

MANAGEMENT MEETINGS

The accounting officer have met the directors on separate occasions during the financial year. The accounting officer schedule to meet with senior management at least once per month.

INTERNAL AUDIT

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

8. BANKERS

The municipality's bankers did not change during the year under review. First National Bank Limited and Standard Bank were the bankers of the municipality.

9. AUDITORS

The Auditor General South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on page 7, 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 J Ngobeni
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	7	30,547,535	16,170,455
Receivables from non-exchange transactions	8	751,210,138	746,067,130
VAT receivable	9	37,672,875	12,151,330
Prepayments	10	4,750,168	10,402,142
Receivables from exchange transactions	11	291,129,969	205,344,621
Cash and cash equivalents	12	206,591,710	343,511,246
		1,321,902,395	**1,333,646,924**
Non-Current Assets			
Investment property	3	144,045,581	116,294,652
Property, plant and equipment	4	5,415,014,295	4,855,018,390
Intangible assets	5	255,485	616,957
		5,559,315,361	**4,971,929,999**
Total Assets		**6,881,217,756**	**6,305,576,923**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	273,755,850	234,255,015
Consumer deposits	14	2,514,854	2,514,473
Unspent conditional grants and receipts	15	48,769,177	-
Provisions	16	68,839,638	66,373,450
		393,879,519	**303,142,938**
Non-Current Liabilities			
Provisions	16	103,241,938	101,151,019
Total Liabilities		**497,121,457**	**404,293,957**
Net Assets		**6,384,096,299**	**5,901,282,966**
Accumulated surplus		6,384,096,299	5,901,282,966
Total Net Assets		**6,384,096,299**	**5,901,282,966**

** See Note 47*

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	118,819,559	112,140,794
Rental of facilities and equipment	18	1,066,490	1,012,385
Interest received	19	18,636,744	6,586,676
Agency income	20	14,814,487	14,833,975
Licences and permits	21	246,594	3,188,576
Operating income	22	6,856,912	3,891,494
Interest earned- outstanding exchange receivables	23	47,034,570	22,456,713
Total revenue from exchange transactions		**207,475,356**	**164,110,613**
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	24	251,708,461	242,892,362
Interest earned- outstanding non-exchange receivables	25	115,545,722	81,652,843
TRANSFER REVENUE			
Government grants and subsidies	26	1,484,707,222	1,351,569,454
Public contributions and donations	27	16,333,434	6,563,840
Fines and penalties	28	3,901,282	1,957,295
Total revenue from non-exchange transactions		**1,872,196,121**	**1,684,635,794**
Total revenue		**2,079,671,477**	**1,848,746,407**
Expenditure			
Employee related costs	29	(631,458,525)	(591,511,630)
Remuneration of councillors	30	(31,804,302)	(26,847,377)
Depreciation and amortisation	31	(156,486,754)	(133,419,020)
Finance costs	32	(11,662,677)	(8,825,789)
Debt impairment	33	(334,338,620)	(233,736,701)
Bad debts written off	34	(96,875)	(89,177,062)
Contracted services	35	(308,039,532)	(304,235,681)
Transfers and subsidies	36	(12,070,891)	(3,073,201)
General Expenses	37	(111,154,129)	(111,717,010)
Total expenditure		**(1,597,112,305)**	**(1,502,543,471)**
Operating surplus		**482,559,172**	**346,202,936**
Gain/(Loss) on disposal of assets	39	(10,139,676)	(4,231,860)
Actuarial (losses)/gains	40	2,349,498	998,932
Gain/(loss) on provisions	41	6,986,393	12,136,094
Impairment loss	42	(264,055)	-
		(1,067,840)	**8,903,166**
Surplus for the year		**481,491,332**	**355,106,102**

** See Note 47*

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance as previously reported at 30 June 2021	5,497,901,998	5,497,901,998
Correction of errors - (see Note 47	(55,388,826)	(55,388,826)
Restated balance as at 1 July 2021	**5,546,176,864**	**5,546,176,864**
Surplus for the year	355,106,102	355,106,102
Total changes	355,106,102	355,106,102
Balance at 1 July 2022	**5,901,282,966**	**5,901,282,966**
Surplus for the year	481,491,332	481,491,332
Correction of Errors	1,322,001	1,322,001
Total changes	482,813,333	482,813,333
Balance at 30 June 2023	**6,384,096,299**	**6,384,096,299**

** See Note 47*

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		213,830,480	254,208,253
Grants		1,533,476,399	1,350,431,399
Interest income		18,636,744	6,586,676
		1,765,943,623	1,611,226,328
Payments			
Employee costs		(629,018,029)	(621,443,573)
Suppliers		(519,196,755)	(486,989,042)
Finance costs		(7,798,489)	(385,966)
		(1,156,013,273)	(1,108,818,581)
Net cash flows from operating activities	43	**609,930,350**	**502,407,747**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(746,849,886)	(487,416,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in cash and cash equivalents		**(136,919,536)**	**14,991,477**
Cash and cash equivalents at the beginning of the year		343,511,246	328,519,769
Cash and cash equivalents at the end of the year	12	**206,591,710**	**343,511,246**

The accounting policies on pages 18 to 42 and the notes on pages 43 to 77 form an integral part of the annual financial statements.

** See Note 47*

Statement of Comparison of Budget and Actual for the year ending 30 June 2023

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	131,387,000	-	**131,387,000**	118,819,559	**(12,567,441)**	A1
Rental of facilities and equipment	1,050,000	-	**1,050,000**	1,066,490	**16,490**	
Interest received	28,902,000	-	**28,902,000**	18,636,744	**(10,265,256)**	A2
Agency income	13,650,000	-	**13,650,000**	14,814,487	**1,164,487**	
Licences and permits	5,180,000	-	**5,180,000**	246,594	**(4,933,406)**	A3
Operating income	95,024,000	96,001,000	**191,025,000**	6,856,912	**(184,168,088)**	A4
Interest earned-outstanding exchange receivables	115,689,000	-	**115,689,000**	47,034,570	**(68,654,430)**	A5
Total revenue from exchange transactions	**390,882,000**	**96,001,000**	**486,883,000**	**207,475,356**	**(279,407,644)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	255,631,000	-	**255,631,000**	251,708,461	**(3,922,539)**	
Interest-outstanding non exchange receivables	-	-	**-**	115,515,722	**115,515,722**	A6
Transfer revenue						
Transfers and subsidies	1,483,014,000	-	**1,483,014,000**	1,484,707,222	**1,693,222**	
Public contributions and donations	-	-	**-**	16,333,434	**16,333,434**	A7
Fines and penalties	3,221,000	-	**3,221,000**	3,901,282	**680,282**	
Total revenue from non-exchange transactions	**1,741,866,000**	**-**	**1,741,866,000**	**1,872,166,121**	**130,300,121**	
Total revenue	**2,132,748,000**	**96,001,000**	**2,228,749,000**	**2,079,641,477**	**(149,107,523)**	
Expenditure						
Employee related costs	(636,382,000)	(1,000)	**(636,383,000)**	(631,458,525)	**4,924,475**	
Remuneration of councillors	(27,796,000)	-	**(27,796,000)**	(31,804,302)	**(4,008,302)**	
Depreciation and amortisation	(150,150,000)	(40,000,000)	**(190,150,000)**	(156,486,754)	**33,663,246**	A8
Impairment loss	-	-	**-**	(264,055)	**(264,055)**	
Finance costs	(500,000)	-	**(500,000)**	(11,662,677)	**(11,162,677)**	A9
Debt Impairment	(220,557,000)	(100,000,000)	**(320,557,000)**	(334,338,620)	**(13,781,620)**	A10
Bad debts written off	-	-	**-**	(96,875)	**(96,875)**	
Contracted services	(192,372,000)	(22,388,000)	**(214,760,000)**	(308,039,532)	**(93,279,532)**	A11
Transfer and subsidies	(8,750,000)	100,000	**(8,650,000)**	(12,070,891)	**(3,420,891)**	
General expenses	(175,492,000)	(13,672,000)	**(189,164,000)**	(111,154,129)	**78,009,871**	A12
Total expenditure	**(1,411,999,000)**	**(175,961,000)**	**(1,587,960,000)**	**(1,597,376,360)**	**(9,416,360)**	
Operating surplus	**720,749,000**	**(79,960,000)**	**640,789,000**	**482,265,117**	**(158,523,883)**	
(Loss)/Gain on disposal of assets	2,100,000	-	**2,100,000**	(10,139,676)	**(12,239,676)**	A13
Actuarial gains/losses	-	-	**-**	2,349,498	**2,349,498**	A14
Gain on provisions	-	-	**-**	6,986,393	**6,986,393**	A15

Statement of Comparison of Budget and Actual for the year ending 30 June 2023

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	2,100,000	-	2,100,000	(803,785)	(2,903,785)	
Surplus before taxation	722,849,000	(79,960,000)	642,889,000	481,461,332	(161,427,668)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	722,849,000	(79,960,000)	642,889,000	481,461,332	(161,427,668)	
Reconciliation						

Bushbuckridge Local Municipality

(Registration number MP325)
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual for the year ending 30 June 2023

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	16,047,000	3,400,000	**19,447,000**	30,547,535	**11,100,535**	B1
Receivables from non-exchange transactions	645,749,000	44,367,000	**690,116,000**	751,210,138	**61,094,138**	B2
VAT receivable	-	-	**-**	2,711,895	**2,711,895**	B3
Prepayments	-	-	**-**	4,750,168	**4,750,168**	B4
Receivables from exchange transactions	414,553,000	(78,405,000)	**336,148,000**	291,129,969	**(45,018,031)**	B5
Cash and cash equivalents	437,018,000	(70,345,000)	**366,673,000**	206,591,710	**(160,081,290)**	B6
	1,513,367,000	**(100,983,000)**	**1,412,384,000**	**1,286,941,415**	**(125,442,585)**	
Non-Current Assets						
Investment property	12,759,000	195,000	**12,954,000**	144,045,581	**131,091,581**	
Property, plant and equipment	5,153,140,000	(113,038,000)	**5,040,102,000**	5,415,014,295	**374,912,295**	B7
Intangible assets	2,973,000	10,625,000	**13,598,000**	255,485	**(13,342,515)**	B8
	5,168,872,000	**(102,218,000)**	**5,066,654,000**	**5,559,315,361**	**492,661,361**	
Total Assets	**6,682,239,000**	**(203,201,000)**	**6,479,038,000**	**6,846,256,776**	**367,218,776**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	236,705,000	120,242,000	**356,947,000**	273,755,850	**(83,191,150)**	B9
VAT payable	-	-	**-**	(34,960,980)	**(34,960,980)**	B3
Consumer deposits	2,510,000	4,000	**2,514,000**	2,514,854	**854**	
Unspent conditional grants and receipts	-	-	**-**	48,769,177	**48,769,177**	B4
Provisions	-	-	**-**	68,839,638	**68,839,638**	B5
	239,215,000	**120,246,000**	**359,461,000**	**358,918,539**	**(542,461)**	
Non-Current Liabilities						
Provisions	108,596,000	(1,699,000)	**106,897,000**	103,241,938	**(3,655,062)**	B5
Total Liabilities	**347,811,000**	**118,547,000**	**466,358,000**	**462,160,477**	**(4,197,523)**	
Net Assets	**6,334,428,000**	**(321,748,000)**	**6,012,680,000**	**6,384,096,299**	**371,416,299**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,334,428,000	(321,748,000)	**6,012,680,000**	6,384,096,299	**371,416,299**	

Statement of Comparison of Budget and Actual for the year ending 30 June 2023

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts	332,249,000	29,417,000	**361,666,000**	213,830,480	**(147,835,520)**	
Grants	1,483,014,000	-	**1,483,014,000**	1,489,839,454	**6,825,454**	
Interest income	55,531,000	(2,314,000)	**53,217,000**	47,034,569	**(6,182,431)**	
	1,870,794,000	**27,103,000**	**1,897,897,000**	**1,750,704,503**	**(147,192,497)**	
Payments						
Suppliers and employee costs	(1,032,040,000)	(50,658,000)	**(1,082,698,000)**	(1,142,098,023)	**(59,400,023)**	
Finance costs	(500,000)	-	**(500,000)**	(7,807,077)	**(7,307,077)**	
Transfers and subsidies	(8,750,000)	100,000	**(8,650,000)**	-	**8,650,000**	
	(1,041,290,000)	**(50,558,000)**	**(1,091,848,000)**	**(1,149,905,100)**	**(58,057,100)**	
Net cash flows from operating activities	**829,504,000**	**(23,455,000)**	**806,049,000**	**600,799,403**	**(205,249,597)**	
Cash flows from investing activities						
Purchase of property, plant and equipment and intangible assets	(722,851,000)	(60,040,000)	**(782,891,000)**	(737,718,939)	**45,172,061**	
Proceeds from sale of property, plant and equipment & intangible assets	1,845,000	(1,845,000)	**-**	-	**-**	
Net cash flows from investing activities	**(721,006,000)**	**(61,885,000)**	**(782,891,000)**	**(737,718,939)**	**45,172,061**	
Net increase/(decrease) in cash and cash equivalents	108,498,000	(85,340,000)	**23,158,000**	(136,919,536)	**(160,077,536)**	
Cash and cash equivalents at the beginning of the year	328,520,000	14,996,000	**343,516,000**	343,511,246	**(4,754)**	
Cash and cash equivalents at the end of the year	**437,018,000**	**(70,344,000)**	**366,674,000**	**206,591,710**	**(160,082,290)**	
Reconciliation						

Statement of Comparison of Budget and Actual for the year ending 30 June 2023

Budget on Accrual Basis

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

Variances of morethan 10% betwen actaul results and budgeted amounts are considered material and explanation for these variances are included below.
A1. Service charges - the tarrif increament applied as well as damaged meter replacements.
A2. Interest received - the intended position was to mantain positive bank accounts and increase some investment amounts. in call accounts but this was not the case as the funds were utilised for emergencies hence low bank balances were kept.
A3. License and permits - there was a circular from National Treasury not to levy any business licensing to all small business.
A4. Operating income - the municipality had investments in the bank ,budgeted to implement projects utilising the savings. The amount in the bank was budgeted under other income as it was considered to have been 100% received at the beginning of the year. The actual amounts relates to proof of residence,sale of tender documents etc.
A5.The debtors balances were reduced in the current year through interest write off ,thus interest billing was lower than anticipated .
A6. Interest earned outstanding exchange receivables - the budget for interest was not split between exchange and non-exchange billing. .
A7.The municipality received donations from various organisations which was not anticipated .
A8. Sufficient budget was set aside for ageing infrastructure depreciation and current year additions.
A9.Late payment of suppliers,interest cost for landfill and long service awards impacted the finance cost..
A10. Low revenue collection from households and businesses which led to the increase in impairment.
A11.Appointments of service providers such for outsourced services,consultancy and professional fees as well as security. The flooding disaster also led to the utilisation of funds not budgeted for.
A12.Funds fully utilised to ensure operational efficiency, all municipal running costs are incurred.
A13. The disposal of assets was not budgeted for.
A14. Actuarial gains (loss) was not budgeted for.
A15. Gains on provisons due to the passage of time for landfill site was not budgetd for.

Reasons for adjustment budget
1.To cater for the anticipated income under operating income and fully utilise the funds
2.To ensure the debt impairment expenditure is appropropriately budget for
3. All other expenditure are in sync with expenditure incurred at mid year.
4. There Municipal Disaster grant amounting to R43.1 million was received from CoGTA.
5.Reprioritization of funds to ensure operational, contracted services expenditure is achieved.
6. Resolutions of the strategic planning session had to be implemented.

Accounting Policies for the year ending 30 June 2023

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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 ESTIMATES

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of trade and other receivables

The municipality assesses its trade receivables and other 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.

Allowance for slow moving, damaged and obsolete inventories

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

1.4 SIGNIFICANT JUDGEMENTS AND ESTIMATES (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 16 - 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.

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.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

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.

1.5 INVESTMENT PROPERTY (continued)

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	3 - 41years

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

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

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.

Accounting Policies for the year ending 30 June 2023

1.6 PROPERTY, PLANT AND EQUIPMENT (continued)

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 over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	3 - 41 years
Transport assets	Straight-line	3 - 10 years
Infrastructure	Straight-line	2 - 100 years
Community	Straight-line	3 - 82 years
Computer equipment	Straight-line	2 - 10 years
Furniture and office equipment	Straight-line	1 - 12 years
Machinery and equipment	Straight-line	1 - 20 years
Temporary operational buildings	Straight-line	5 - 60 years
Library books	Straight-line	3-10 years
Domestic equipment	Straight-line	5-15 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.

1.6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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.

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.

1.8 INTANGIBLE ASSETS (continued)

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.

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	4 - 6 years

1.9 FINANCIAL INSTRUMENTS

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

A financial asset is:
- cash;

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposists	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

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

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.

1.10 STATUTORY RECEIVABLES (continued)

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.

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.

Accounting Policies for the year ending 30 June 2023

1.10 STATUTORY RECEIVABLES (continued)

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.

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

1.12 INVENTORIES (continued)

- 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.

1.13 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.14 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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.

Accounting Policies for the year ending 30 June 2023

1.14 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

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.

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.

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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.14 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 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.

Accounting Policies for the year ending 30 June 2023

1.15 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

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

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

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

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

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

1. The objective of using the asset

2. The intended use of the assets

Designation

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

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

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.

1.15 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

1.16 EMPLOYEE BENEFITS (continued)

Short-term employee benefits

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

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

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

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

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

Long-service Allowance

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

1.17 Provisions and contingencies

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

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

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

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.

1.17 PROVISIONS AND CONTINGENCIES (continued)

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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

1.17 PROVISIONS AND CONTINGENCIES (continued)

- 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.

1.18 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are dislosed in the financial statements if they meet the following criteria;

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non- routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Perfomance but are shown in the dislosure notes to the extent that such amounts have not been recorded in the financial statements.Commitments dislosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Accounting Policies for the year ending 30 June 2023

1.19 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

Sale of goods

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

Service Charges

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

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

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

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

1.20 Revenue from non-exchange transactions

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

1.20 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Accounting Policies for the year ending 30 June 2023

1.20 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Measurement

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

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

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

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

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.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.21 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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.27 Budget information

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

Accounting Policies for the year ending 30 June 2023

1.27 BUDGET INFORMATION (continued)

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

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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.

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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

Accounting Policies for the year ending 30 June 2023

1.29 EVENTS AFTER REPORTING DATE (continued)

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

1.30 DISTRIBUTION LOSSES

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

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.

Accounting Policies for the year ending 30 June 2023

1.32 EXPENDITURE

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

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance

Major expense items disclosed in the Statement of Financial Performance include;

- Contracted services – caters for all the external services and is further categorised into outsourced,consultants,professional services and contractors. Repairs and maintanace is also part of contracted services. Outsourced services - the municipality should have capacity to carry out the function but choose to enlist the services of an external service provider. Consultant & professional services - refers to specialist services and skills provided.These skills are unnecessary to mantain inhouse and are required on a once off or temporary basis. Contractors - provides services that are not the core business of the municipality.
- Transfers and grants which relate to expenditure pertaining to free basic services, donations to the community, electrification of the townships, bursaries and general expenses constitute several expense items which are not individually significant.
- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current asssets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of anasset an expense is recognised simultaneously with the recognition of the liability.

1.33 VALUE ADDED TAX

The municipality accounts for VAT on an acrual basis and is liable for VAT on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991) .The municipality is liable to account for VAT at the standard rate (14%) and (15% from 1 April 2018 as annouced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.The municipality accounts for VAT on a monthly basis.

2. New standards and interpretations

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

2.2 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The impact of the is not material.

2.3 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Not expected to impact results but may result in additional disclosure
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unable to reliably estimate the impact

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	153,498,342	(9,452,761)	144,045,581	125,120,318	(8,825,666)	116,294,652

Reconciliation of investment property - 2023

	Opening balance	Additions	Depreciation	Total
Investment property	116,294,652	28,378,024	(627,095)	144,045,581

Reconciliation of investment property - 2022

	Opening balance	Transfers	Depreciation	Total
Investment property	115,373,776	1,729,657	(808,781)	116,294,652

Pledged as security

There was no investment property assets pledged as security.

Investment property in the process of being constructed or developed

3. Investment property (continued)

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

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	85,500,995	-	85,500,995	113,879,018	-	113,879,018
Buildings	103,012,345	(41,554,957)	61,457,388	102,869,195	(38,846,677)	64,022,518
Machinery equipment	10,107,751	(8,248,574)	1,859,177	13,277,136	(10,948,472)	2,328,664
Furniture and office equipment	29,491,828	(20,119,130)	9,372,698	31,637,417	(21,912,198)	9,725,219
Transport Assets	177,363,240	(75,049,743)	102,313,497	126,542,474	(56,725,877)	69,816,597
Domestic equipment	3,960,760	(1,242,417)	2,718,343	3,960,760	(846,341)	3,114,419
Computer equipment	21,668,241	(9,855,456)	11,812,785	18,069,552	(9,765,735)	8,303,817
Infrastructure	4,982,099,171	(797,516,425)	4,184,582,746	4,684,978,515	(688,591,329)	3,996,387,186
Community	261,102,148	(94,420,896)	166,681,252	261,043,148	(86,572,605)	174,470,543
Temporary buildings	912,186	(494,558)	417,628	891,769	(542,710)	349,059
Work in progress (WIP)	786,535,001	-	786,535,001	408,946,775	-	408,946,775
Other Assets (Books)	7,582,830	(5,820,045)	1,762,785	7,663,988	(5,937,687)	1,726,301
Other assets (WIP)	-	-	-	1,149,376	-	1,149,376
Assets under investigations	-	-	-	798,898	-	798,898
Total	**6,469,336,496**	**(1,054,322,201)**	**5,415,014,295**	**5,775,708,021**	**(920,689,631)**	**4,855,018,390**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Additions through donations	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	113,879,018	-	-	(28,378,023)	-	-	-	85,500,995
Buildings	64,022,518	143,150	-	-	-	(2,708,280)	-	61,457,388
Infrastructure	3,996,387,186	65,461,697	16,333,434	(8,733,609)	235,393,334	(120,259,296)	-	4,184,582,746
Community	174,470,543	59,000	-	-	-	(7,848,291)	-	166,681,252
Work in progress	408,946,775	612,981,560	-	-	(235,393,334)	-	-	786,535,001
Temporary operational buildings	349,059	139,500	-	(8,884)	-	(62,047)	-	417,628
Computer equipment	8,303,817	5,121,842	-	(309,433)	1,149,376	(2,453,739)	922	11,812,785
Machinery and Equipment	2,328,664	140,550	-	(105,452)	-	(512,161)	7,576	1,859,177
Transport assets	69,816,597	50,820,766	-	-	-	(18,323,866)	-	102,313,497
Furniture and Office Equipment	9,725,219	2,866,234	-	(880,356)	-	(2,340,703)	2,304	9,372,698
Domestic Equipment	3,114,419	-	-	-	-	(396,076)	-	2,718,343
Library books	1,726,301	364,983	-	(83,331)	-	(245,168)	-	1,762,785
WIP-Security Upgrades	1,149,376	-	-	-	(1,149,376)	-	-	-
Assets under investigations	798,898	-	-	-	-	(798,898)	-	-
	4,855,018,390	**738,099,282**	**16,333,434**	**(38,499,088)**	**-**	**(155,948,525)**	**10,802**	**5,415,014,295**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	113,879,018	-	-	-	-	-	113,879,018
Buildings	55,787,265	-	(668,269)	11,297,027	-	(2,393,505)	64,022,518
Infrastructure	3,458,052,090	8,255,423	(2,635,831)	642,121,396	-	(109,405,892)	3,996,387,186
Community	141,618,585	-	-	40,400,654	-	(7,548,696)	174,470,543
Work in progress (WIP)	655,949,379	448,546,130	-	(695,548,734)	-	-	408,946,775
Temporary operational buildings	438,237	-	-	-	-	(89,178)	349,059
Computer equipment	5,191,410	4,845,555	-	-	-	(1,733,148)	8,303,817
Machinery and Equipment	2,911,798	150,847	2,857	-	-	(736,838)	2,328,664
Transport assets	58,784,711	24,465,292	-	-	-	(13,433,406)	69,816,597
Furniture and Office equipment	9,532,620	2,781,242	-	-	-	(2,588,643)	9,725,219
Domestic equipment	3,960,760	-	-	-	-	(846,341)	3,114,419
Library books	2,102,020	66,367	-	-	-	(442,086)	1,726,301
WIP-Security upgrades	1,149,376	-	-	-	-	-	1,149,376
Assets under investigations	864,537	-	-	-	(65,639)	-	798,898
	4,510,221,806	**489,110,856**	**(3,301,243)**	**(1,729,657)**	**(65,639)**	**(139,217,733)**	**4,855,018,390**

Pledged as security

There were no property,plant and equipment assets pledged as security.

Assets under investigations

Infrastructure		
Road signs could not be verified		
- Road signs	65,639	65,639

4. Property, plant and equipment (continued)

Reconciliation of Work-in Progress 30 June 2023

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	338,089,123	60,416,565	10,441,134	408,946,822
Additions/capital expenditure	547,077,291	35,661,402	28,517,358	611,256,051
Other movements [specify]	(237,321,044)	(1,311,674)	-	(238,632,718)
Investment property	6,003,910	-	-	6,003,910
	653,849,280	**94,766,293**	**38,958,492**	**787,574,065**

Reconciliation of Work- in Progress 30 June 2022

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	573,620,640	80,489,969	1,838,812	655,949,421
Additions/capital expenditure	404,229,210	39,330,750	6,879,356	450,439,316
Reclassification	-	(10,441,134)	10,441,134	-
Correction of prior year errors	-	(224,609)	(1,668,573)	(1,893,182)
Transferred to completed items	(638,092,155)	(48,738,412)	(8,718,168)	(695,548,735)
	339,757,695	**60,416,564**	**8,772,561**	**408,946,820**

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

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,629,370	(6,373,885)	255,485	6,629,370	(6,012,413)	616,957

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	616,957	(361,472)	255,485

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	978,429	(361,472)	616,957

Pledged as security

There was no carrying value of intangible assets pledged as security:

6. VAT payable

7. Inventories

Maintenance materials	30,547,535	16,170,455

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

8. Receivables from non-exchange transactions

Fines	6,148,892	3,135,688
Other receivables - credit balances	3,311,212	7,730,153
Deposits	8,078,517	6,793,916
Other taxes	(175,140)	16,047
Property rates -interest	271,902,315	283,286,151
Property rates	452,060,046	439,411,832
Other receivable- DLTCs, Agency fee payable	9,884,296	5,693,343
	751,210,138	**746,067,130**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property rates	1,166,003,994	1,042,199,396
Fines	9,167,239	5,594,721
	1,175,171,233	**1,047,794,117**
	-	**-**

Statutory receivables general information

Reconciliation of provision for impairment for statutory receivables

Opening balance	601,776,070	540,471,427
Provision for impairment-property rates	(113,092,548)	61,304,643
	488,683,522	**601,776,070**

Receivables from non-exchange transactions pledged as security

There was no receivables from non-exchange transactions pledged as security

Property rates		
Gross balance	1,166,003,994	1,042,199,396
Impairment	(713,943,948)	(600,851,401)
	452,060,046	**441,347,995**

Property rates		
Current (0-30 days)	7,302,180	19,472,639
31-60 days	6,912,693	19,246,120
60-90 days	7,610,800	19,226,513
90-120 days	7,440,391	19,181,007
121-365 days	415,384,576	364,221,716
	444,650,640	**441,347,995**

Intereret -property rates		
Gross balance	840,399,234	726,615,508
Impairment	(568,496,919)	(443,329,357)
	271,902,315	**283,286,151**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

8. Receivables from non-exchange transactions (continued)

Intereret -property rates		
Current (0-30 days)	4,732,888	12,014,265
31-60 days	4,672,034	11,692,150
60-90 days	4,450,529	10,856,125
90-120 days	4,372,992	10,152,350
121-365 days	4,174,226	12,456,894
365 days	249,502,533	226,114,367
	271,905,202	**283,286,151**

9. VAT receivable

VAT	37,672,875	12,151,330

10. Prepayments

The municipality paid for SALGA membership fees for 2023/24 in advance in the current year.

Current portion		
Prepayments	4,750,168	10,402,142

11. Receivables from exchange transactions

Gross balances		
Water	392,024,799	272,834,241
Waste water	28,036,269	23,356,254
Rental	4,973,274	3,797,983
Waste	67,313,682	58,143,473
Payroll debtors	6,471,132	6,471,132
Interest	88,059,672	41,007,164
Housing rental	2,601,804	2,601,804
Service charges	12,136,185	12,100,405
	601,616,817	**420,312,456**

Less: Allowance for impairment		
Water	(240,036,684)	(157,312,574)
Waste water	(17,166,601)	(13,471,759)
Rental	(3,043,366)	(2,189,635)
Waste	(41,216,150)	(33,535,398)
Housing rental	(1,593,064)	(1,483,069)
Service charges	(7,430,983)	(6,975,400)
	(310,486,848)	**(214,967,835)**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

11. Receivables from exchange transactions (continued)

Net balance		
Water	151,988,115	115,521,667
Waste water	10,869,668	9,884,495
Rental	1,929,908	1,608,348
Waste	26,097,532	24,608,075
Payrol debtors	6,471,132	6,471,132
Interest	88,059,672	41,007,164
Housing rental	1,008,740	1,118,735
Service charges	4,705,202	5,125,005
	291,129,969	**205,344,621**

Water		
Current (0 -30 days)	3,486,676	9,474,300
31 - 60 days	3,594,310	8,869,442
61-90 days	3,238,787	8,899,329
91 - 120 days	3,678,827	8,905,308
121 - 365 days	3,676,668	74,406,127
> 365 days	134,312,847	4,967,161
	151,988,115	**115,521,667**

Waste water		
Current (0 -30 days)	165,442	218,994
31 - 60 days	168,020	276,034
61 - 90 days	156,886	274,012
91 - 120 days	166,166	271,649
121 - 365 days	166,506	8,843,806
> 365 days	10,046,648	-
	10,869,668	**9,884,495**

Rental		
> 365 days	1,929,908	1,608,348

Waste		
Current (0 -30 days)	307,213	769,817
31 - 60 days	325,895	638,805
61 - 90 days	316,299	714,625
91 - 120 days	315,515	701,471
121 - 365 days	314,556	21,783,357
> 365 days	24,518,054	-
	26,097,532	**24,608,075**

Payroll debtors		
> 365 days	6,471,132	6,471,132

Interest		
Current (0 -30 days)	1,532,801	8,298,084
31 - 60 days	1,513,093	8,212,155
61 - 90 days	1,441,356	7,902,314
91 - 120 days	1,416,244	7,973,146
121 - 365 days	1,351,872	8,621,465
> 365 days	80,804,306	-
	88,059,672	**41,007,164**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

11. Receivables from exchange transactions (continued)

Housing rental		
> 365 days	1,008,740	1,118,735

Service charges		
Current (0 -30 days)	1,511,916	15,522
31 - 60 days	241,093	1,873
61 - 90 days	487,426	2,443
91 - 120 days	37,631	518,101
121 - 365 days	37,377	4,587,066
> 365 days	2,389,759	-
	4,705,202	**5,125,005**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

11. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Household		
Current (0 -30 days)	15,886,689	22,064,551
31 - 60 days	14,336,324	26,047,743
61 - 90 days	14,088,423	25,586,822
91 - 120 days	13,907,172	25,416,927
121 - 365 days	13,648,812	50,579,195
> 365 days	834,314,127	842,313,929
	906,181,547	**992,009,167**
Commercial		
Current (0 -30 days)	6,687,052	2,140,221
31 - 60 days	5,892,655	2,885,364
61 - 90 days	6,257,994	2,857,325
91 - 120 days	6,072,075	2,941,832
121 - 365 days	5,813,848	2,920,928
> 365 days	317,270,940	177,996,748
	347,994,564	**191,742,418**
Government		
Current (0 -30 days)	26,534,083	5,836,802
31 - 60 days	24,721,053	8,490,518
61 - 90 days	25,312,779	8,800,082
91 - 120 days	24,972,402	8,736,071
121 - 365 days	24,722,534	8,758,311
> 365 days	1,221,109,949	984,716,239
	1,347,372,800	**1,025,338,023**
Total		
Current (0 -30 days)	49,107,824	30,041,573
31 - 60 days	44,950,033	37,423,625
61 - 90 days	45,659,196	37,244,229
91 - 120 days	44,951,650	37,094,830
121 - 365 days	44,185,194	37,157,913
> 365 days	2,372,695,015	2,005,026,916
	2,601,548,912	2,183,989,086
	2,601,548,912	**2,183,989,086**
Less: Allowance for impairment		
> 365 days	(310,486,848)	(214,967,835)
Total debtor past due but not impaired		
31 - 60 days	25,312,779	8,490,518
61 - 90 days	24,972,402	8,800,082
91 - 120 days	1,245,832,483	824,954,722
	1,296,117,664	**842,245,322**

Reconciliation of allowance for impairment

Balance at beginning of the year	(214,967,835)	-
Contributions to allowance	(95,519,013)	(214,967,835)
	(310,486,848)	**(214,967,835)**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	200,833,148	341,239,290
Call account balances	5,641,699	2,137,397
Cash on hand	116,863	134,559
	206,591,710	**343,511,246**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Bank IA09591	2,845,056	15,137,251	22,548,681	2,845,056	15,137,251	22,548,681
FNB Bank IA09538	18,736,670	38,358,336	72,869,338	18,736,670	38,358,336	72,869,338
FNB Bank IA09494	2,726,262	1,063,656	13,108,220	2,726,262	1,063,656	13,108,220
FNB Bank IA09538	2,915,437	1,073,741	50,331,948	2,915,437	1,073,741	50,331,948
Standard Bank IA09518	179,251,421	287,743,702	169,644,531	179,251,421	287,843,702	169,644,531
Total	**206,474,846**	**343,376,686**	**328,502,718**	**206,474,846**	**343,476,686**	**328,502,718**

13. Payables from exchange transactions

Electricity	712,007	765,955
Retention and Surety	114,990,131	92,658,467
Accrued bonus	15,220,936	14,713,959
Trade payables	135,367,449	115,209,435
Debtors with credit balances	3,311,212	7,730,153
Salary payables	2,167,351	2,012,249
PAYE	265,079	264,123
Auditor General	7,491	9,309
Staff Advances	1,142,724	891,365
Unallocated deposits	571,470	-
	273,755,850	**234,255,015**

14. Consumer deposits

Water	2,490,867	2,490,667
Refuse	23,987	23,806
	2,514,854	**2,514,473**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Neighbourhood Development Grant	499,966	-
Integrated National Electrification Programme	1,682,579	-
Municipal Disaster Grant	43,100,000	-
Water Services Infrastructure Grant	3,486,632	-
	48,769,177	**-**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

15. Unspent conditional grants and receipts (continued)

Movement during the year

Additions during the year	551,820,000	468,718,000
Income recognition during the year	(503,050,823)	(468,718,000)
	48,769,177	**-**

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

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

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

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation	69,868,673	(6,986,393)	-	6,538,659	-	69,420,939
Leave provision	60,627,406	2,466,188	-	-	-	63,093,594
Long service awards	37,028,390	3,184,246	(2,160,283)	3,864,188	(2,349,498)	39,567,043
	167,524,469	**(1,335,959)**	**(2,160,283)**	**10,402,847**	**(2,349,498)**	**172,081,576**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation	76,587,360	5,417,407	-	(12,136,094)	-	69,868,673
Leave provision	60,272,731	354,675	-	-	-	60,627,406
Long service awards	35,144,980	3,211,982	(2,831,372)	2,755,683	(1,252,883)	37,028,390
	172,005,071	**8,984,064**	**(2,831,372)**	**(9,380,411)**	**(1,252,883)**	**167,524,469**

Non-current liabilities	103,241,938	101,151,019
Current liabilities	68,839,638	66,373,450
	172,081,576	**167,524,469**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area. The environmental rehabilitaion provision represents the estimated costs to rehabilitate and close existing waste landfill sites.

The provision is
recognised at the present value of the expenditure expected to settle the obligation.It is carried at the armotised cost. The rehabilitaion cost were determined by Environmental & Sustainability Solutions CC

The general landfill closure cost model
(GLCCM) was used to estimate the final rehabilitation and closure costs for the genral landfills.

Key assumptions used		
CPI	6,1716%	6,6085%
Discount rate	10,6716%	9,358%
Net effective discount rate	4,5%	2,75%

Leave provision

Leave provision consist of an obligation to pay out the annual leave days in the year the employment status of the employee changes due to various reasons. The obligation presents a liability to the employer and the value is represnted by the present value of the total number of days the employee would have termination date that is expected to become payable under
ther municipality's current policy.The calculation for the leave provision is as follows;
Total annual Leave days capped at 48 days/250 X Current basic salary X12.

Long service awards

Figures in Rand	2023	2022

16. Provisions (continued)

Long service awards consist of an obligation to pay out a bonus in the year of the employee attaining the required length of service. The obligation presents a liability to the employer and the value is represented by the presnet value of the total long service bonus awards expected to become payable under the municipality's current policy. The municipality offers long service bonus every five (5) years continous service complted,starting from ten (10) years to forty five (45) years.Long service accumulated leave must be taken within one year of receiving such leave or maybe wholly or partially settled in cash.The actuarial valuation of the long service awards acrued liability was carried out by D.T Mureriwa, a fellow of the Institute ofActuaries.

	2023	2022
Key assumptions		
Discount Rate	10,73%	10,77%
CPI	5,87%	6,74%
Salary increase rate	6,87%	7,74%
Net discount rate	3,62%	2,81%
Assumed retirement age (years)	63	63
	-	-

17. Service charges

	2023	2022
Water reconnection fees	-	24,600
Sale of water	105,116,936	98,970,640
Solid waste	9,182,202	8,597,505
Sewerage and sanitation charges	4,520,421	4,548,049
	118,819,559	**112,140,794**

18. Rental of facilities and equipment

	2023	2022
Premises		
Premises	1,021,992	971,913
Facilities and equipment		
Rental of equipment	44,498	40,472
	1,066,490	**1,012,385**

19. Interest received

	2023	2022
Interest received-bank balances	18,636,744	6,467,367
Interest received from SARS	-	119,309
	18,636,744	**6,586,676**

- Interest received from mantaining positive cash balances in the bank accounts

20. Agency income

	2023	2022
Management fees	14,814,487	14,833,975

21. Licences and permits

	2023	2022
Trading Licenses	246,594	3,188,576

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

22. Operating income

Sundry income	159,599	182,270
Proof of residence	1,639,577	1,794,789
Insurance refund	2,020,330	-
Sale of tender documents	2,140,796	889,280
Plan approval	325,177	260,937
Ammendment of names	1,497	1,427
Clearance certificates	15,398	29,089
Library fees	715	1,165
Adminstration fees	274,478	292,383
Photocopies	39,158	17,863
Cemetry	67,876	64,235
Fire services	149,571	356,976
Commission earned	22,740	1,080
	6,856,912	**3,891,494**

23. Interest earned

Interest revenue

Interest charged on trade and other receivables	47,034,570	22,456,713

24. Property rates

Rates received

Residential	48,226,414	44,207,218
Commercial	52,514,810	50,873,723
State	59,358,880	57,504,612
Industrial properties	1,699,200	1,646,100
Vacant land	23,051,283	22,162,156
Protected area	69,678,140	67,658,888
Agriculture	5,136,816	4,711,720
Public benefit organisation and public service infrastructure	203,109	211,968
Less: Income forgone	(8,160,191)	(6,084,023)
	251,708,461	**242,892,362**

Valuations

Agriculture	1,714,056,000	1,715,152,000
Commercial	1,723,678,000	1,776,778,000
Public benefit organisations	139,096,100	139,096,100
Public service infrastructure	19,961,270	19,961,270
Residential	4,298,000,800	4,298,000,800
State	2,055,750,000	2,055,750,000
Vacant land	633,155,020	633,155,020
Municipality	61,730,100	61,730,100
Protected area	28,296,912,550	28,296,912,550
Protected area residential	867,805,000	870,805,000
Protected area business	1,852,015,000	1,858,815,000
	41,662,159,840	**41,726,155,840**

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

The new general valuation will be implemented on 01 July 2025.

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

25. Interest from non-exchange receivables

Interest - property rates	115,545,722	81,652,843

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

26. Government grants & subsidies

Operating grants		
Equitable share	979,294,000	879,945,000
Finance Management Grant	2,650,000	2,650,000
Local Government Sector Education Training Authority	1,868,553	1,768,399
Construction of Education and Training Authority	493,846	1,138,055
Expanded Public Works Programme Grant	5,219,000	5,379,000
	989,525,399	**890,880,454**
Capital grants		
Neighbourhood Development Partneship grant	4,500,034	-
Intergrated National Electrification Programme	2,317,421	-
Municipal Infrastructure Grant	430,851,000	396,689,000
Water Services Infrastructure Grant	51,513,368	60,000,000
Energy Efficiency Demand Managemnt Grant	6,000,000	4,000,000
	495,181,823	**460,689,000**
	1,484,707,222	**1,351,569,454**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	551,820,000	470,486,399
Unconditional grants received	979,294,000	879,945,000
	1,531,114,000	**1,350,431,399**

Equitable Share

In terms of section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver fre basic services to the indigent community households and subsidises the cost of administration and other core services for the municipality . This grant is used to enable the municipality to provide basic and perform functions allocated to it..

Municipal Infrastructure grant (MIG)

Current-year receipts	430,851,000	396,689,000
Conditions met - transferred to revenue	(430,851,000)	(396,689,000)
	-	**-**

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

This grant is mainly used to fund infrastructure related projects (mainly as part of service delivery). Capitalised projects funded but of this grant are included in property ,plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Finance Management grant (FMG)

Current-year receipts	2,650,000	2,650,000
Conditions met - transferred to revenue	(2,650,000)	(2,650,000)
	-	**-**

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

The purpose of the grant is to promote and support reforms in financial management building capacity in municipalities to implement and adhere to the MFMA.

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

26. Government grants & subsidies (continued)

Expanded Public Works Programme (EPWP)

Current-year receipts	5,219,000	5,379,000
Conditions met - transferred to revenue	(5,219,000)	(5,379,000)
	-	-

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

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with EPWP guidelines.

Neighbourhood Development Partneship Grant

Conditions met - transferred to revenue	5,000,000	-
Other	(4,500,034)	-
	499,966	-

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

The purpose of the grant is to fund, support and facilitate planning and development of neighbourhood development programmes and projects that will be for further development in the municipality.

Intergrated National Electrification Programme

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(2,317,421)	-
	1,682,579	-

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

The purpose of the grant is to implement the INEP by providing capital subsidies to municipalities to address electrification of occupied residential dwellings, and installation of bulk infrastructure and rehabilitaion and refurbishment of electricity infrastructure in order to improve quality of supply.

Municipal Disaster Grant

Current-year receipts	43,100,000	-

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

The grant provides funding for responding to and providing relief for the unforeseeable and unavoidable disaster.

Water service infrastructure grant

Current-year receipts	55,000,000	60,000,000
Conditions met - transferred to revenue	(51,513,368)	(60,000,000)
	3,486,632	-

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

Energy Efficiency Demand Management Grant (EEDMG)

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

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

26. Government grants & subsidies (continued)

	-	-

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

The grant supports municipalities in their efforts to reduce electricity consumption on traffic lights, street lighting and water service infrastructure through use of energy efficient mechanisms.

27. Public contributions and donations

Property plant and equipment	16,333,434	1,162,909
Property,plant and equipment	-	5,400,931
	16,333,434	**6,563,840**

The municipality received the following donations in the current year.

- Boreholes from Human Settlements Department
- Water reticulation from Ehlanzeni District Municipality
- Bridge from Ehlanzeni District Municipality

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	3,901,282	1,957,295

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

29. Employee related costs

Basic	375,990,476	365,951,530
Bonus	39,110,527	37,567,177
Medical aid - company contributions	26,515,501	24,921,023
Unemployment insurance fund	2,382,037	2,530,144
Skills development levy	5,453,515	5,095,262
Leave pay provision charge	4,774,952	2,405,453
Defined contribution plans	72,786,322	69,601,455
Overtime payments	16,837,736	9,545,993
Acting allowances	6,941,699	5,763,333
Car allowance	25,593,306	22,469,513
Housing benefits and allowances	590,791	516,627
South African Local Government Association	139,255	136,959
Standby allowance	43,230,176	34,266,458
Risk allowance	646,000	-
Shift allowance	10,466,232	10,740,703
	631,458,525	**591,511,630**

Remuneration of municipal manager

Annual Remuneration	906,859	1,135,126
Car Allowance	629,945	690,449
Performance Bonuses	95,178	114,096
Contributions to UIF, Medical and Pension Funds	7,311	78,115
Acting allowance	82,808	-
	1,722,101	**2,017,786**

Remuneration of chief finance officer

Annual Remuneration	480,661	941,284
Car Allowance	510,272	517,507
Performance Bonuses	-	53,364
Contributions to UIF, Medical and Pension Funds	8,541	226,836
Annual bonus	-	78,190
Acting allowance	60,187	115,020
	1,059,661	**1,932,201**

Remuneration of Technical services director

Annual Remuneration	877,453	844,940
Car Allowance	553,433	548,100
Performance Bonuses	-	84,445
Contributions to UIF, Medical and Pension Funds	15,590	16,185
Acting allowance	-	25,727
	1,446,476	**1,519,397**

Remuneration of Economic Development Planning and Environment director

Annual Remuneration	811,869	779,944
Car Allowance	514,400	494,734
Performance Bonuses	-	84,445
Contributions to UIF, Medical and Pension Funds	75,823	73,372
Annual bonus	64,941	64,941
Acting allowance	-	2,148
Other	464	-

Figures in Rand	2023	2022

29. Employee related costs (continued)

	1,467,497	**1,499,584**

Corporate services director

Annual Remuneration	-	933,020
Car Allowance	341,628	549,750
Performance Bonuses	-	39,820
Contributions to UIF, Medical and Pension Funds	-	275,655
Reimbursement kilometers	-	993
Acting allowance	119,686	104,265
Annual bonus	-	76,737
	461,314	**1,980,240**

Community Services Director

Annual Remuneration	544,290	914,858
Car Allowance	413,744	549,750
Performance Bonuses	39,657	39,820
Contributions to UIF, Medical and Pension Funds	10,194	271,428
Reimbursement kilometers	-	1,910
Acting allowance	30,186	104,265
Annual bonus	-	76,737
	1,038,071	**1,958,768**

30. Remuneration of councillors

Executive Major	918,509	886,771
Speaker	732,651	727,062
Councillors	19,437,483	15,032,922
Councillors’ pension contribution	30,338	834,866
Car and travel allowance	10,447,985	9,176,475
Medical aid contributions	237,336	189,281
	31,804,302	**26,847,377**

In-kind benefits

The 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 make use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguards and a driver.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

31. Depreciation and amortisation

Property, plant and equipment	155,498,188	132,269,740
Investment property	627,094	787,808
Intangible assets	361,472	361,472
	156,486,754	**133,419,020**

Figures in Rand	2023	2022

32. Finance costs

Trade and other payables	1,259,830	652,699
Long service awards	3,864,188	2,755,683
Landfill sites	6,538,659	5,417,407
	11,662,677	**8,825,789**

33. Debt impairment

Trade receivables -exchange and non exchange	333,779,124	233,203,871
Traffic fines	559,496	532,830
	334,338,620	**233,736,701**

34. Bad debts written off

Bad debts written off	96,875	89,177,062

The municipality wrote off traffic tickets amounting to R62 300 in the current year.

35. Contracted services

Outsourced Services		
Catering Services	3,379,434	2,266,220
Security Services	77,737,114	69,547,038
Traffic Fines Management	2,588,654	1,193,500
Drivers Licence Cards	-	1,678,928
Electrical	5,085,994	3,018,914
Water Takers	9,225,131	5,777,945
Consultants and Professional Services		
Business and Advisory	21,041,848	31,329,579
Infrastructure and Planning	20,524,890	18,893,366
Laboratory Services	9,798,283	14,177,057
Legal Cost	12,971,933	16,959,721
Contractors		
Maintenance of Buildings and Facilities	212,088	648,980
Maintenance of Equipment	1,076,745	5,601,038
Maintenance of Unspecified Assets	53,289,724	45,237,952
Municipal Services	90,690,922	73,448,687
Photographer	-	2,969,103
Transportation	251,725	-
Sewerage Services	59,857	11,487,653
Stage and Sound Crew	105,190	-
	308,039,532	**304,235,681**

36. Transfer and subsidies

Other subsidies		
Sanitation	9,362,043	1,748,707
Free basic electricity	832,500	745,482
Indigent relief	343,351	103,126
Bursary	1,532,997	475,886
	12,070,891	**3,073,201**

Figures in Rand	2023	2022

37. General expenses

Accommodation	1,156,607	1,626,625
Advertising	3,344,609	2,808,503
Auditors remuneration	11,133,648	8,908,568
Bank charges	668,320	820,757
Cleaning	17,639	183,277
Conferences and seminars	207,228	355,486
Current service cost	3,184,246	3,211,982
Electricity connection fees	6,036,903	8,851,755
Flowers	4,720	36,832
Fuel and oil	17,890,375	12,530,464
Hire equipment and facilities	1,485,864	2,055,088
Insurance	6,244,722	5,178,530
Information technology expenses	6,729,133	7,921,118
Promotions and sponsorships	-	965,077
Motor vehicle licence	1,058,677	1,067,188
Abstraction fee	14,729,339	11,895,900
Postage and courier	16,252	19,225
Printing and stationery	1,987,577	527,506
Protective clothing	930,380	3,665,217
Staff welfare	-	24,240
Subscriptions and membership fees	50,891	11,578,609
Telephone and fax	5,865,705	5,425,707
Transport and freight	264,543	358,967
Travel - local	9,587,143	7,562,614
Municipal services	1,759,105	1,078,057
Fire services	-	73,508
Membership fees	-	134,959
Materials and consumables	14,246,774	5,311,012
Learnerships,intenships and bursaries	2,300,290	4,610,809
Office decorations	9,336	410,055
Ward committees	10,753	1,523,000
Waste water and waste disposal	233,350	996,375
	111,154,129	**111,717,010**

38. Auditors' remuneration

Fees	11,133,648	8,908,568

39. Gains /Loss on disposal of assets

Gain /Loss on disposal of assets

Property, plant and equipment	(10,139,676)	(1,006,149)
Other asset	-	(3,225,711)
	(10,139,676)	**(4,231,860)**

40. Actuarial gains/losses

Calculation of actuarial gains and losses

Actuarial gains/losses	2,349,498	998,932

Key assumptions used

Assumptions used at the reporting date are disclosed on Note :16- Provisions

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

41. Gains or losses on provisions

Gains or losses on provisions	6,986,393	12,136,094

42. Impairment loss

Impairments		
Property, plant and equipment	264,055	-
Culvert bridges were swept away by flooding. Boreholes were vandalised by the during the year and some components were missing.		

43. Cash generated from operations

Surplus	481,491,332	355,106,102
Adjustments for:		
Depreciation and amortisation	156,486,754	133,419,020
(Gain)/Loss on sale of assets	3,153,283	3,064,795
Gain/(loss) on provisions	-	(12,136,094)
Finance costs	3,864,188	8,173,090
Impairment deficit	264,055	-
Debt impairment	334,338,620	233,736,701
Bad debts written off	96,875	-
Movements in provisions	4,557,107	(14,071,959)
Public contributions and donations	(729,132)	(3,753,279)
Non-cash donations and other in-kind benefits	-	(3,322,887)
Actuarial gains	(2,349,498)	(998,932)
Changes in working capital:		
Inventories	(14,377,080)	(3,040,846)
Receivables from exchange transactions	(420,123,968)	(268,808,378)
Receivables from non-exchange transactions	(5,143,008)	64,774,080
Prepayments	5,651,974	(6,751,567)
Payables from exchange transactions	39,500,835	2,978,402
VAT	(25,521,545)	14,035,100
Unspent conditional grants and receipts	48,769,177	-
Financial liability	381	4,399
	609,930,350	**502,407,747**

Figures in Rand	2023	2022

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	602,015,146	360,040,459
Total capital commitments		
Already contracted for but not provided for	602,015,146	360,040,459

Total commitments

Total commitments		
Authorised capital expenditure	602,015,146	360,040,459

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds,existing cash resources and funds internally generated. The commitments figure disclosed above is inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5,322,788	-
- in second to fifth year inclusive	8,427,748	-
	13,750,536	**-**

Operating lease payments represents rentals payable by the Municipality for certain office equipments(Multifunction photocopier machines). Operational lease entered with Print IT Solution are negotiated for an average term of three years and rental amount is locked at 0% additional increase for 36 Months. Print IT Solution supplied fifty photocopying machines to the Municipality for a period of 36 Months and is fully responsible for the maintenance of the photocopying machines. The contract commence on the 1st of February 2023.

Figures in Rand	2023	2022

45. Contingencies

Contigencies arsing from pending litigation on contractual disputes and claims for damages..

Litigation is in the process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the process is dependent on the setting of dates by the respective courts, timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the caims are listed below;

Contigent Liabilities		
1. Izingwenya 210 investment CC & Juslo Security services - claim for services rendere	3,101,915	3,101,915
2. Midas Chawane - a claim for damages suffered as a result of alleged negligence of the municipality in failing to mantain the damages surface of the road to Manyeleti	17,843	17,843
3. Judas Nkuna- vehicle accident between the plaintiff and the municipal driver	71,000	71,375
4. Tsebu brothers holdings- cancellation of the agreement for electrification of Makuvana Phase 2	4,050,157	4,050,157
5. Hwali business enterprise-claim for service rendered	-	4,364,330
6. Robert Themba- damages	200,000	200,000
7. Aqua Life Still Water -damages amanated from alleged illegal demolition of property	-	3,788,249
8. Rand Water- disputed water balances	173,370,000	173,370,000
9. BB Siegl- a claim for alleged collision involving a municipal car	43,072	43,072
10.Fleet Horizon- alleged unpaid invoices	-	528,690
11. NAD Property income fund	23,525,000	-
	204,378,987	**189,535,631**

46. Related parties

Related party balances

No members of the municipality management have significant influence over the financial or operating policies of the municipal entities.

Remuneration of management

Management class: Councillors

Refer to note 30"Remuneration of councillors"

Additional information

Councillors are remunerated according to the Remuneration of Public Office Bearers Act, Act 20 of 1998. As councillors have only collective executive powers for planning, directing and controlling the activities of the municipality.Their remuneration is not disclosed individually, but in aggregate.There are 56 councillor positions, whose aggregate remuneration amounted to Note :30.Remuneration of Councillors for the period in review. The Executive Mayor and the Speaker council members have such individual executive powers as granted by their delegation. Therefore, their remuneration is disclosed individually in per Note. 30 full list of all councillors is disclosed "General information" .The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

During the financial year, there were no councillors with related-party transactions.

47. Prior-year adjustments

Property, plant and equipment

1.Other property, plant and equipment- was broken down into various assets clases in line with GRAP standards and also giving more information to the user.

47. Prior-year adjustments (continued)

2.WIP- reclassification of expenditure into WIP.

Payables from exchange transactions - write off of retention balances of long outstanding balances in line with the retention policy.

Depreciation - assets with a negative carrying amounts still in use were adjusted in retrospect as well as the adjustements as a result of errors corrected in property,plant and equipment.

Receivable from exchnage and non-exchange transactions-the adjustment was due to the update of the valuation roll.

The resultant adjustment has led to the changes in Cashflow Statement balances.

Expenditure -reclassifications: Travel costs was correctly classfied retrospectively.

Statement of financial position

2022

	Note	As previously reported	Correction of error(s)	Re-classification	Restated
Property,plant and equipment		-	-	-	-
Other property,plant and equipment		96,332,272	(2,694,497)	(93,637,775)	-
Temporary operational buildings		-	-	349,059	349,059
Computer equipment		-	-	8,303,817	8,303,817
Machinery and equipment		-	-	2,328,664	2,328,664
Motor vehicles		-	-	69,816,597	69,816,597
Furniture and Office equipment		-	-	9,725,219	9,725,219
Domestic equipment		-	-	3,114,419	3,114,419
Work in Progress		410,839,958	(1,721,653)	-	409,118,305
Land		161,089,921	58,176,795	(105,387,697)	113,879,019
Investment property		14,003,979	(3,097,023)	105,387,697	116,294,653
Receivables from non-exchange transactions		750,406,551	(3,280,745)	(5,247,975)	741,877,831
Receivable from exchange transactions		205,388,626	(44,005)	-	205,344,621
Payables from exchange transactions		(234,982,415)	626,940	5,247,975	(229,107,500)
		1,403,078,892	**47,965,812**	**-**	**1,451,044,704**

Statement of financial performance

2022

	Note	As previously reported	Re-classification	Restated
Revenue from non-exchange transactions		-	-	-
Government grants and subsidies		889,742,399	1,138,055	890,880,454
Revenue from exchange transanctions		-	-	-
Operating income		5,029,549	(1,138,055)	3,891,494
Expenditure		-	-	-
Employee related costs		(91,531,707)	20,082	(91,511,625)
General expenditure		(110,638,251)	(20,082)	(110,658,333)
		692,601,990	**-**	**692,601,990**

48. Risk management

Financial risk management

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

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 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.

Credit risk consists mainly of cash deposits, cash equivalents, other 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/liabilities exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Cash and cash equivalents	206,591,710	343,511,246
Receivable from exchange transactions	291,129,969	205,344,621
Receivable from non exchange transactions	751,210,138	746,067,130
Payables from exchange transactions	(273,755,850)	(234,255,015)

Market risk

as below;

Market risk is the risk that changes in the market proces such as interest rates affect the municipality income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within accepteable parameters, while optimising the return on the risk. Market risk comprises interest risk,currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial intrument will flactuate because of changes in the market interest rates. Currently the municipality does not have any long term borrowing. The interest risk is managed through the implmentation of the credit control policy by the revenue unit and applying a prime interest rate. There were no changes on the policy and the method in use.

49. Going concern

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

Notes to the Annual Financial Statements for the year ending 30 June 2023

50. Fruitless and wasteful expenditure

Figures in Rand	2023	2022
Opening balance as previously reported	4,538,041	3,096,596
Add: Fruitless and wasteful expenditure identified - current	1,258,628	2,418,224
Less: Amount written off (2020/21)	(31,560)	-
Less: Amount written off (2021/22)	(2,418,224)	-
Less: Amount written off - (2019/20)	-	(921,113)
Less: Amount written off - prior period (2014/15)	-	(55,666)
Closing balance	**3,346,885**	**4,538,041**

Fruitless and wasteful expenditure is presented inclusive of VAT

Figures in Rand	2023	2022

50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Auditor General		58,563	15,518
Eskom		213,257	185,390
SARS		955	10,350
Department of Water and Sanitation		195,089	342,256
Department of safety, security and liason		790,276	98,757
Nelson Mandela Metropolitan University		-	428
Mpumalangeni projects		-	568,040
Department of labour		-	1,197,485
Department of Agriculture,land reform & rural development		486	-
		1,258,626	**2,418,224**

51. Irregular expenditure

Opening balance as previously reported	442,807,371	1,702,132,793
Opening balance adjustment (correction of errors)	-	584,705,422
Add: Irregular expenditure - current year identified by the Auditor General	-	7,082,143
Add: Irregular expenditure - current year identified by the municipality	6,586,801	7,185,601
Less:Amount wriiten off (2021/22)	(14,267,744)	-
Less: Subsequent payments written off	(6,586,801)	-
Less: Correction of errors	-	(634,578,607)
Less: Amount written off (2009/2010) and 2010/2011	(264,153,994)	-
Less: Amount written off - (upto 2020)	-	(1,138,586,087)
Less: Amount written off - 2021	(126,402,303)	(85,133,894)
Closing balance	**37,983,330**	**442,807,371**

Notes to the Annual Financial Statements for the year ending 30 June 2023

Figures in Rand	2023	2022

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	6,802,634	6,333,557
Amount paid - current year	(6,802,634)	(6,333,557)
	-	-

Material losses through criminal conduct

Opening balance as previously reported	5,247,975	-
Add: Losses identified - current period	3,850,524	5,247,975
	9,098,499	**5,247,975**

The municipality lost the disclosed amounts due to fraud at the licencing stations, the internal audit unit is carrying out investigations to establish further details. See note 8

Distribution loss

Billed water	33,430,024	98,970,640
Free basic	224,685,818	178,355,176
	258,115,842	**277,325,816**
Cost of production	(222,320,160)	(239,057,830)
Less: Closing water inventory	(39,575)	-
	35,756,107	**38,267,986**

Audit fees

Amount paid - current year	11,133,648	10,344,477

PAYE and UIF

Opening balance	11,192,697	-
Current year subscription / fee	112,617,028	104,330,225
Amount paid - current year	(112,617,028)	(93,137,528)
	11,192,697	**11,192,697**

Pension and Medical Aid Deductions

Opening balance	7,564,406	-
Current year subscription / fee	143,041,724	152,422,034
Amount paid - current year	(143,041,724)	(144,857,628)
	7,564,406	**7,564,406**

Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2023:

Figures in Rand	2023	2022

52. 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 by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved and noted by the municipal council.

Incident		
Current year deviations	72,100,589	30,178,912

53. Segment information

General information

Identification of segments

The report is based municipality departments which are reportable segments and where performance is measurable.Management uses these same segments for compilation of the IDP,SDBIP, budget and monthly and quarterly reporting.The segments were organised around type of service delivered and target market. Management uses the same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The segments of the municipality were not aggregated.

Types of goods and/or services by segment

The following are the reportable segments of the municipality. These are reportable segments as well as the goods and or services for each segment as set out below:

Reportable segment	Goods and/or services
Executive and Council	Provides political leadership to the municipality for the generation of economic benefits and service potential
Budget and Treasuty Office	Provides financial administration to the municipality for generation of economic benefits and service potential
Community Services	Provides social services, public safety,public spaces, libraries and indigents administration to the municipality for generation of economic benefits and service potential
Economic Development Planning and Environment	Provides for waste management , town planning , local economic development and environment sustainability for the generation of economic benefits and service potential
Technical Services	Road transport,electricity , housing and building inspection, project management unit,waste water management and all infrastructure services to the municipality for the generation of economic benefits and service potential
Water Services	Provides for production and distribution of water to the municipality for the geberation of economic benefits and service potential
Corporate Services	Provides legal and administration management services including human capital and information and comunication technology to the muncipality for the generation of economic benifts and service potential.
Municipal Managers Office	Provides for adminstration, leadership,performance monitoring,intergrated development plan,risk management and internal audit functions to the muncipality for the generation of economic benefits and service potential

53. Transitional provisions (continued)

Segment surplus or deficit, assets and liabilities

Information about geographical areas

The municipality is a category B municipality and presidential nodal point located within Enhlanzeni District in the northeastern part of Mpumalanga province. It is the largest of the four municipalities that make up the district , accounti ngfor a third of its geographical area. The municipal area provides a link to Lydenburg and other centers in the Lowveld, particularly Kruger National Park,Hoedspruit,Pilgrims Rest and Graskop. The municipality can be thereore be called thegateway to the major tourist attraction points in the Mpumalanga and eastern part of the Limpopo province.Management has as per the GRAP standards decided to report on Bushbuckridge as a single geographical area.Management is of the opinion that as per paragragh 32, the cost of developing geographical information would be excessive , secondly that due to the nature of the municipality , it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.