Karoo Hoogland Local Municipality
Annual financial statements
for the year ended June 30, 2023

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

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act 56 of 2003
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2023 and were signed on its behalf by:

Mr. A Gibbons
Acting Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2023.

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution, (Act no 108 of 1996).

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer

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

A Gibbons

Mr. A Gibbons was appointed as Acting Municipal Manager from 23 January 2023 until year-end.

Mr J Jonkers was appointed as Acting Municipal Manager from 11 November 2022 until 23 January 2023.

Mr DM Malan was appointed as Acting Municipal Manager from 29 June 2022 until 31 July 2023.

5. Secretary

Email - munman@karoohoogland.gov.za.

Telephone number - 053 285 0998.

6. Council members

The Council members of the municipality during the year and to the date of this report are as follows:
All members were elected and appointed 9 November 2021. No changes occurred during the year.
Name
VC Wentzel
JE Davids
A Steenkamp
JJ van der Colff
E Oliphant
SA Muller
VT Opperman - Speaker
RvdM Geel
AS Mietas - Mayor
MJ Chadow
CG Steenkamp

7. Bankers

The municipality`s preferred bankers are:

Standard Bank of South Africa Limited
Williston
8920

Accounting Officer's Report

8. Auditors

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

9. Lawyers

Van de Wall Incorporated.

10. Relevant legislation

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Basic Conditions of Employment Act (Act no 75 of 1997)
Unemployment Insurance Act (Act no 30 of 1966)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
mSCOA Regulations
Municipal Cost Containment Regulations, 2019
Employment Equity Act (Act no 55 of 1998)
Local Government: Muncipal Staff Regulations
The Constitution of the Repulic of South Africa Act 108, 1996

11. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston.
Sutherland.
Fraserburg.
Farm areas.

12. Web Address

www.karoohoogland.gov.za

The annual financial statements set out on pages 5 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2023 and were signed on its behalf by:

Mr. A Gibbons
Acting Municipal Manager

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1,060,510	930,810
Other receivables from exchange transactions	4	787,219	336,753
Receivables from non-exchange transactions	5	4,933,345	3,392,250
Receivables from exchange transactions	6	4,254,186	9,737,572
VAT receivable	7	1,624,592	1,627,032
Cash and cash equivalents	8	13,994,788	2,953,250
		26,654,640	**18,977,667**
Non-Current Assets			
Investment property	9	38,651,233	38,795,261
Property, plant and equipment	10	274,710,875	266,796,295
Intangible assets	11	188,374	234,031
		313,550,482	**305,825,587**
Total Assets		**340,205,122**	**324,803,254**
Liabilities			
Current Liabilities			
Other financial liabilities	12	258,107	245,678
Finance lease obligation	13	70,702	63,979
Payables from exchange transactions	14	6,998,718	6,968,103
Consumer deposits	15	480,045	435,510
Employee benefit obligation	16	218,000	379,000
Unspent conditional grants and receipts	17	6,205,254	152,762
		14,230,826	**8,245,032**
Non-Current Liabilities			
Other financial liabilities	12	704,811	962,894
Finance lease obligation	13	79,939	-
Employee benefit obligation	16	3,320,000	3,680,000
Provisions	18	36,200,788	32,205,862
		40,305,538	**36,848,756**
Total Liabilities		**54,536,364**	**45,093,788**
Net Assets		**285,668,758**	**279,709,466**
Accumulated surplus		285,668,758	279,709,466
Total Net Assets		**285,668,758**	**279,709,466**

* See Note 42

Statement of Financial Performance for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	20,731,332	21,189,079
Rental of facilities	20	858,742	696,516
Interest received (trading)		3,647,183	2,491,261
Agency services	21	116,201	82,152
Other income	22	500,137	960,347
Interest received - investment	23	879,977	416,151
Total revenue from exchange transactions		**26,733,572**	**25,835,506**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	6,470,298	7,019,048
Property rates - Interest received	24	807,366	602,532
Transfer revenue			
Government grants & subsidies	25	57,861,508	54,073,474
Public contributions and donations		5,436	246
Fines, Penalties and Forfeits		642	28,359
Contibuted assets	10	726,400	-
Services in kind	26	530,366	-
Total revenue from non-exchange transactions		**66,402,016**	**61,723,659**
Total revenue		**93,135,588**	**87,559,165**
Expenditure			
Employee related costs	27	(25,753,172)	(26,862,933)
Remuneration of councillors	28	(4,782,517)	(3,812,861)
Depreciation and amortisation	29	(11,589,652)	(10,703,997)
Finance costs	30	(4,217,702)	(3,730,835)
Bad debts written off		(21,461,400)	(783,207)
Assets transferred to households	32	(2,527,430)	-
Bulk purchases	33	(10,252,583)	(11,008,067)
Contracted services	34	(1,392,064)	(934,980)
Water inventory consumed		(1,688,537)	(1,637,775)
Operating cost	35	(13,579,755)	(13,083,176)
Total expenditure		**(97,244,812)**	**(72,557,831)**
Operating (deficit) surplus		**(4,109,224)**	**15,001,334**
Loss on derecognition of asset		(321,605)	(1,643)
Actuarial gains	16	725,425	392,521
Debt impairment	31	9,803,314	(6,256,372)
Impairment loss		(138,619)	-
		10,068,515	**(5,865,494)**
Surplus for the year		**5,959,291**	**9,135,840**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus
Opening balance as previously reported	270,467,179
Adjustments	
Correction of errors	106,447
Balance at July 1, 2021 as restated*	**270,573,626**
Changes in net assets	
Surplus for the year	9,135,840
Total changes	9,135,840
Restated* Balance at July 1, 2022	**279,709,467**
Changes in net assets	
Surplus for the year	5,959,291
Total changes	5,959,291
Balance at June 30, 2023	**285,668,758**

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		5,690,319	6,076,615
Service charges		14,356,466	17,554,820
Grants		63,914,000	51,450,666
Interest earned - investments		879,977	416,151
Interest earned - outstanding debtors		4,765,957	2,014,407
Property rates - interest received		1,035,995	550,103
Other receipts		747,928	-
		91,390,642	78,062,762
Payments			
Employee costs		(30,593,783)	(31,980,670)
Suppliers		(29,496,123)	(28,668,198)
Finance costs		(78,211)	(92,385)
Value added tax		(1,019,367)	(1,045,528)
		(61,187,484)	(61,786,781)
Net cash flows from operating activities	36	**30,203,158**	**16,275,981**
Cash flows from investing activities			
Purchase of property, plant and equipment	37&10	(18,551,851)	(21,472,474)
Purchase of investment property	9	(134,665)	-
Purchase of other intangible assets	11	(20,137)	(7,284)
Net cash flows from investing activities		**(18,706,653)**	**(21,479,758)**
Cash flows from financing activities			
Repayment of other financial liabilities		(300,582)	(300,551)
Finance lease payments		(154,381)	(130,759)
Net cash flows from financing activities		**(454,963)**	**(431,310)**
Net increase/(decrease) in cash and cash equivalents		**11,041,542**	**(5,635,087)**
Cash and cash equivalents at the beginning of the year		2,953,250	8,588,339
Cash and cash equivalents at the end of the year	8	**13,994,788**	**2,953,252**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	24,462,000	-	**24,462,000**	20,731,332	**(3,730,668)**	Note 53.10
Rental of facilities and equipment	541,466	47,834	**589,300**	858,742	**269,442**	Note 53.11
Interest received (trading)	3,252,296	787,672	**4,039,968**	4,454,549	**414,581**	Note 53.12 / 53.36
Agency services	60,000	-	**60,000**	116,201	**56,201**	Note 53.13
Other income	1,104,000	2,350,000	**3,454,000**	500,137	**(2,953,863)**	Note 53.14 / 53.37
Interest received - investment	582,804	42,328	**625,132**	879,977	**254,845**	Note 53.15
Total revenue from exchange transactions	**30,002,566**	**3,227,834**	**33,230,400**	**27,540,938**	**(5,689,462)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,734,600	-	**7,734,600**	6,470,298	**(1,264,302)**	Note 53.16
Transfer revenue						
Government grants & subsidies	66,011,300	(5,432)	**66,005,868**	58,391,874	**(7,613,994)**	Note 53.17
Public contributions and donations	-	-	**-**	731,836	**731,836**	Note 53.18
Fines, Penalties and Forfeits	12,960	(11,960)	**1,000**	642	**(358)**	Note 53.19 / 53.38
Total revenue from non-exchange transactions	**73,758,860**	**(17,392)**	**73,741,468**	**65,594,650**	**(8,146,818)**	
Total revenue	**103,761,426**	**3,210,442**	**106,971,868**	**93,135,588**	**(13,836,280)**	
Expenditure						
Personnel	(28,030,000)	833,231	**(27,196,769)**	(25,753,172)	**1,443,597**	N/a
Remuneration of councillors	(4,421,255)	(1,545)	**(4,422,800)**	(4,782,517)	**(359,717)**	N/a
Depreciation and amortisation	(9,547,000)	-	**(9,547,000)**	(11,589,652)	**(2,042,652)**	Note 53.20
Impairment loss/ Reversal of impairments	-	-	**-**	(138,619)	**(138,619)**	N/a
Finance costs	(85,400)	(48,100)	**(133,500)**	(4,217,702)	**(4,084,202)**	Note 53.21 / 53.39
Debt Impairment	(5,936,000)	(1,139,380)	**(7,075,380)**	(11,658,086)	**(4,582,706)**	Note 53.22 / 53.40
Bulk purchases	(11,534,000)	-	**(11,534,000)**	(10,252,583)	**1,281,417**	Note 53.23
Contracted Services	(10,267,000)	767,000	**(9,500,000)**	(1,392,064)	**8,107,936**	Note 53.24 / 53.42
Water inventory consumed	(1,514,802)	(162,198)	**(1,677,000)**	(1,688,537)	**(11,537)**	Note 53.25 / 53.41
General Expenses	(10,203,861)	(534,199)	**(10,738,060)**	(16,107,185)	**(5,369,125)**	Note 53.26 / 53.43
Total expenditure	**(81,539,318)**	**(285,191)**	**(81,824,509)**	**(87,580,117)**	**(5,755,608)**	
Operating surplus	**22,222,108**	**2,925,251**	**25,147,359**	**5,555,471**	**(19,591,888)**	
Other gains and losses	-	-	**-**	(321,605)	**(321,605)**	Note 53.27

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	725,425	**725,425**	Note 53.27
	-	**-**	**-**	**403,820**	**403,820**	
Surplus before taxation	**22,222,108**	**2,925,251**	**25,147,359**	**5,959,291**	**(19,188,068)**	
Actual Amount on Comparable Basis	**22,222,108**	**2,925,251**	**25,147,359**	**5,959,291**	**(19,188,068)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	183,323	-	**183,323**	1,060,510	**877,187**	Note 53.3
Other receivables from exchange transactions	414,005	2,188,000	**2,602,005**	2,400,219	**(201,786)**	Note 53.35
Consumer debtors	15,858,000	(351,000)	**15,507,000**	9,199,123	**(6,307,877)**	Note 53.2
Cash and cash equivalents	8,995,347	1,089,000	**10,084,347**	13,994,788	**3,910,441**	Note 53.1 / 53.34
	25,450,675	**2,926,000**	**28,376,675**	**26,654,640**	**(1,722,035)**	
Non-Current Assets						
Investment property	31,300,000	-	**31,300,000**	38,651,233	**7,351,233**	Note 53.4
Property, plant and equipment	276,461,000	-	**276,461,000**	274,710,875	**(1,750,125)**	N/a
Intangible assets	350,000	-	**350,000**	188,374	**(161,626)**	N/a
Long term receivables	184,000	-	**184,000**	-	**(184,000)**	Note 53.5
	308,295,000	**-**	**308,295,000**	**313,550,482**	**5,255,482**	
Total Assets	**333,745,675**	**2,926,000**	**336,671,675**	**340,205,122**	**3,533,447**	
Liabilities						
Current Liabilities						
Other financial liabilities	301,000	-	**301,000**	328,809	**27,809**	N/a
Payables from exchange transactions	5,500,000	-	**5,500,000**	6,998,715	**1,498,715**	N/a
Consumer deposits	307,570	-	**307,570**	480,045	**172,475**	N/a
Employee benefit obligation	940,000	-	**940,000**	218,000	**(722,000)**	N/a
Unspent conditional grants and receipts	-	-	**-**	6,205,254	**6,205,254**	Note 53.17
	7,048,570	**-**	**7,048,570**	**14,230,823**	**7,182,253**	
Non-Current Liabilities						
Other financial liabilities	1,189,000	-	**1,189,000**	784,750	**(404,250)**	N/a
Employee benefit obligation	36,815,000	-	**36,815,000**	39,520,788	**2,705,788**	N/a
	38,004,000	**-**	**38,004,000**	**40,305,538**	**2,301,538**	
Total Liabilities	**45,052,570**	**-**	**45,052,570**	**54,536,361**	**9,483,791**	
Net Assets	**288,693,105**	**2,926,000**	**291,619,105**	**285,668,761**	**(5,950,344)**	
Net Assets						
Net Assets						
Reserves						
Accumulated surplus	288,693,105	2,926,000	**291,619,105**	285,668,761	**(5,950,344)**	N/a

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	5,646,000	-	**5,646,000**	5,918,948	**272,948**	N/a
Sale of goods and services	22,563,000	2,423,000	**24,986,000**	16,178,633	**(8,807,367)**	Note 53.28 / 53.44
Grants	64,938,300	-	**64,938,300**	63,914,000	**(1,024,300)**	N/a
Interest income	3,835,100	-	**3,835,100**	5,334,526	**1,499,426**	Note 53.29
	96,982,400	**2,423,000**	**99,405,400**	**91,346,107**	**(8,059,293)**	
Payments						
Suppliers and employees	(63,945,000)	(855,000)	**(64,800,000)**	(58,581,841)	**6,218,159**	Note 53.30
Finance costs	(92,000)	-	**(92,000)**	(78,211)	**13,789**	Note 53.31
Transfers and grants	(69,000)	-	**(69,000)**	(2,527,430)	**(2,458,430)**	Note 53.32
	(64,106,000)	**(855,000)**	**(64,961,000)**	**(61,187,482)**	**3,773,518**	
Net cash flows from operating activities	**32,876,400**	**1,568,000**	**34,444,400**	**30,158,625**	**(4,285,775)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(30,562,000)	-	**(30,562,000)**	(18,551,851)	**12,010,149**	Note 53.33
Purchase of investment property	-	-	**-**	(134,665)	**(134,665)**	N/a
Purchase of other intangible assets	-	-	**-**	(20,137)	**(20,137)**	N/a
Net cash flows from investing activities	**(30,562,000)**	**-**	**(30,562,000)**	**(18,706,653)**	**11,855,347**	
Cash flows from financing activities						
Repayment of other financial liabilities	(301,000)	-	**(301,000)**	(454,963)	**(153,963)**	N/a
Movement in consumer deposits	62,000	-	**62,000**	44,535	**(17,465)**	N/a
Net cash flows from financing activities	**(239,000)**	**-**	**(239,000)**	**(410,428)**	**(171,428)**	
Net increase/(decrease) in cash and cash equivalents	2,075,400	1,568,000	**3,643,400**	11,041,544	**7,398,144**	N/a
Cash and cash equivalents at the beginning of the year	-	-	**-**	2,953,250	**2,953,250**	N/a
Cash and cash equivalents at the end of the year	**2,075,400**	**1,568,000**	**3,643,400**	**13,994,794**	**10,351,394**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

2023

Financial Performance

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Property rates	7,734,600	-	7,734,600	-		7,734,600	7,277,664		(456,936)	94 %	94 %
Service charges	24,461,509	1	24,461,510	-		24,461,510	24,378,515		(82,995)	100 %	100 %
Investment revenue	3,835,100	830,000	4,665,100	-		4,665,100	879,977		(3,785,123)	19 %	23 %
Transfers recognised - operational	35,449,300	(5,432)	35,443,868	-		35,443,868	36,035,128		591,260	102 %	102 %
Other own revenue	1,718,197	2,385,874	4,104,071	-		4,104,071	2,207,558		(1,896,513)	54 %	128 %
Total revenue (excluding capital transfers and contributions)	**73,198,706**	**3,210,443**	**76,409,149**	**-**		**76,409,149**	**70,778,842**		**(5,630,307)**	**93 %**	**97 %**
Employee costs	(28,029,969)	833,231	(27,196,738)	-	-	(27,196,738)	(25,753,172)	-	1,443,566	95 %	92 %
Remuneration of councillors	(4,421,255)	(1,545)	(4,422,800)	-	-	(4,422,800)	(4,782,517)	-	(359,717)	108 %	108 %
Debt impairment	(5,936,000)	(1,139,380)	(7,075,380)			(7,075,380)	(11,658,086)	-	(4,582,706)	165 %	196 %
Depreciation and asset impairment	(9,546,796)	-	(9,546,796)			(9,546,796)	(11,589,652)	-	(2,042,856)	121 %	121 %
Finance charges	(85,400)	(48,100)	(133,500)	-	-	(133,500)	(4,217,702)	-	(4,084,202)	3,159 %	4,939 %
Materials and bulk purchases	(13,048,802)	(162,198)	(13,211,000)	-	-	(13,211,000)	(11,941,120)	-	1,269,880	90 %	92 %
Transfers and grants	(63,861)	(10,199)	(74,060)	-	-	(74,060)	(2,527,430)	-	(2,453,370)	3,413 %	3,958 %
Other expenditure	(20,407,188)	243,343	(20,163,845)	-	-	(20,163,845)	(14,706,618)	-	5,457,227	73 %	72 %

Appropriation Statement

Figures in Rand

								Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Total expenditure	**(81,539,271)**	**(284,848)**	**(81,824,119)**	**-**	**-**	**(81,824,119)**	**(87,176,297)**	**-**	**(5,352,178)**	**107 %**	**107 %**
Surplus/(Deficit)	**(8,340,565)**	**2,925,595**	**(5,414,970)**	**-**		**(5,414,970)**	**(16,397,455)**		**(10,982,485)**	**303 %**	**197 %**
Transfers recognised - capital	30,562,000	-	30,562,000	-		30,562,000	22,356,746		(8,205,254)	73 %	73 %
Surplus (Deficit) after capital transfers and contributions	**22,221,435**	**2,925,595**	**25,147,030**	**-**		**25,147,030**	**5,959,291**		**(19,187,739)**	**24 %**	**27 %**
Surplus/(Deficit) for the year	**22,221,435**	**2,925,595**	**25,147,030**	**-**		**25,147,030**	**5,959,291**		**(19,187,739)**	**24 %**	**27 %**

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or receivables

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of valuein-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

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 18 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:
- The municipality does not have the power to determine significant terms and conditions of the transaction;
- The municipality does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit; and
- The municipality is not exposed to variability in the result of the transaction.

Additional information is disclosed in Note 21.

Accounting Policies

1.5 Investment property

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

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

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

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

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

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

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

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 by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20 - 35 years
Infrastructure assets	Straight-line	2 - 80 years
Capital restoration cost	Straight-line	1 - 20 years
Other assets	Straight-line	3 - 20 years
Office equipment	Straight-line	1 - 8 years
IT equipment	Straight-line	1 - 6 years
Community	Straight-line	7 - 77 years
Furniture and fixtures	Straight-line	1 - 17 years
Landfill site	Straight-line	9 - 19 years
Motor vehicles	Straight-line	1 - 6 years
Plant and machinery	Straight-line	1 - 6 years
Solar panels	Straight-line	12 years
Tools and loose gear	Straight-line	1 - 11 years

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 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)

Land and buildings are recognised according to the systems Deedsweb. Deedsweb is a search function to extract information from the deeds office. The municipality applies the principle of substance over the legal form in the recognition and derecognition of land. For these purposes, land is recognised when the following criteria is satisfied:

- The municipality controls the land as a result of a past event; and
- Future economic benefits or service potential is expected to flow to the municipality; and
- The value of the land can be measured accurately.

Control over land is evidenced by:
- Legal ownership, and/or
- The right to direct access to land, and to restrict or deny access of others to the land

The municipality asseses at the end of every reporting date whether any changes occurred which may impact its assessment of control.

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

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	Straight-line	5 years

1.7 Intangible assets (continued)

Computer software licences	Straight-line	5 years

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	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
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component plarts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Gains and losses

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

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference the asset`s carrying amount at the end present value of estimated future cash flows (excluding future credit losses that have nor been incurred) discounted at the financial asset`s original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.9 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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;

1.9 Statutory receivables (continued)

- 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.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.11 Inventories

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

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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 is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

1.12 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.

1.12 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

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

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

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

1.13 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 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.

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

Interest, royalties and dividends

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

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

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

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

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

Unallocated deposits

All unallocated deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits into the Municipality`s bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicated that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older that twelve months as revenue. Although unclaimed deposits are recognised as revenue after twelve months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after twelve months.

Accounting Policies

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

- Does the asset generate positive cashflows or is the intention to generate positive cashflows?
- Is the asset held in order to generate a commercial return?
- Is the objective of holding the asset to generate positive cashflows (from continuing use and its ultimate disposal) that are significantly higher than its cost?

1.17 Revenue from non-exchange transactions

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

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

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

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

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.

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.18 Investment income

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

1.19 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.

Accounting Policies

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.21 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.

1.22 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.

1.23 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).

1.24 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.

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

1.25 Budget information

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

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

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

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

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.

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

Comparative information is not required.

1.26 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.

1.26 Related parties (continued)

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.

1.27 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

An effective date for the guideline has not been set.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements as municipality is already in compliance with the guideline.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of these revisions have not yet been set. April 1, 2099.

It is unlikely that the revisions will have a material impact on the municipality's annual financial statements as there are no benefit plans recognised in the financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements as the municipality is already in compliance with the guideline.

GRAP 104 (as revised): Financial Instruments

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

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

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

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

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

It is unlikely that the standard will have a material impact on the municipality's annual financial statements. The Municipality might need to revise the categories of financial instruments and the impairment model.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements as the current treatment is already in line with the standard.

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

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

Statement of financial position and statement of financial performance

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

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

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

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

The effective date of this amendment is for years beginning on or after April 1, 2025.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements as the current treatment already complies with the revisions.

GRAP 103: Heritage assets

Background

There are proposed amendments to the classification of mixed-use assets and the fair value accounting.

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

The municipality might need to revise the classification and measurement of items currently classified as Property, plant and equipment.

3. Inventories

Consumable stores	902,566	772,874
Water	157,944	157,936
	1,060,510	**930,810**

Inventories recognised as an expense during the year	-	-
Water inventory consumed	1,688,537	1,637,775
Write-down to net realisable value	129,760	-
Consumables	828,475	479,449

Inventory pledged as security

No inventory was pledged as security for liabilities.

Karoo Hoogland Municipality obtains control over water inventory by pumping water from boreholes into reservoirs.
No waterboard exist in the area of Karoo Hoogland Municipality from which water may be purchased in the event that no water may futher be obtained from boreholes. Management is of the view that water would then be purchased from neighbouring municipalities at arms length transactions.

Consumable stores were written down to current replacement cost by an amount of R121 936.

4. Other receivables from exchange transactions

Deposits	787,219	160,957
Other debtors	-	175,796
	787,219	**336,753**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions

Project Nala	5,193	5,193
Consumer debtors - Rates	4,928,152	3,370,551
Salary overpayments	-	16,506
	4,933,345	**3,392,250**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Taxes	4,928,152	3,370,551

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Project Nala	5,193	5,193
Salary overpayments	-	16,506
	5,193	**21,699**

Total receivables from non-exchange transactions	4,933,345	3,392,250

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

Receivables from non-exchange transactions

Consumer debtors - Rates Gross Balances		
Current (0 - 30 days)	855,162	573,636
31 - 60 days	3,487,582	294,010
61 - 90 days	223,318	254,347
91 - 120 days	217,668	238,891
+120 days	5,903,957	10,575,088
	10,687,687	**11,935,972**

Consumer debtors - Rates Less: Allowances for Impairment		
Current (0 - 30 days)	460,842	191,596
31 - 60 days	1,879,439	183,469
61 - 90 days	120,345	175,340
91 - 120 days	117,300	172,027
+120 days	3,181,610	7,842,989
	5,759,536	**8,565,421**

Consumer debtors - Rates Net Balances		
Current (0 - 30 days)	394,320	382,040
31 - 60 days	1,608,143	110,541
61 - 90 days	102,973	79,007
91 - 120 days	100,368	66,864
+120 days	2,722,347	2,732,099
	4,928,151	**3,370,551**

No receivables from non-exchange transactions are pledged as security for any liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(8,565,421)	(7,159,485)
Provision for impairment	2,805,886	(1,405,936)
	(5,759,535)	**(8,565,421)**

Debts are required to be settled after 30 days. Interest is changed after this date at prime +1%. The fair value of trade and other receivables approximates their carrying value amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

In determining the recoverability, the Municipality considers any change in the credit quality of the receivable from the date the credit was initialy granted, up to the reporting date. The concentration of credit risk is limited due to the customers base being large and unrelated. Accordingly, management believes no futher credit provisions are required in excess of the present allowance for doubtful debts. All Non-Government debtors were either specifically impaired or subject to collective impairment.

6. Receivables from exchange transactions

Gross balances		
Electricity	3,842,966	3,604,057
Water	11,415,669	14,326,920
Sewerage	10,245,218	13,064,502
Refuse	8,322,924	10,697,838
Housing rental	440,751	620,904
Other	788,779	6,272,513
	35,056,307	**48,586,734**
Less: Allowance for impairment		
Electricity	(2,554,440)	(2,228,173)
Water	(10,345,251)	(11,333,041)
Sewerage	(9,357,123)	(10,575,659)
Refuse	(7,809,588)	(9,152,473)
Housing rental	(388,756)	(335,143)
Other	(346,963)	(5,224,673)
	(30,802,121)	**(38,849,162)**
Net balance		
Electricity	1,288,526	1,375,884
Water	1,070,418	2,993,879
Sewerage	888,095	2,488,843
Refuse	513,336	1,545,365
Housing rental	51,995	285,761
Other	441,816	1,047,840
	4,254,186	**9,737,572**
Electricity		
Current (0 -30 days)	579,012	376,758
31 - 60 days	97,838	56,843
61 - 90 days	133,298	34,788
91 - 120 days	81,374	39,100
121 - 365 days	2,951,444	868,395
	3,842,966	**1,375,884**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Water

Current (0 -30 days)	739,177	223,780
31 - 60 days	289,878	117,040
61 - 90 days	324,004	89,222
91 - 120 days	278,063	104,539
121 - 365 days	9,784,547	2,459,298
	11,415,669	**2,993,879**

Sewerage

Current (0 -30 days)	608,918	204,524
31 - 60 days	254,783	89,449
61 - 90 days	246,787	83,057
91 - 120 days	246,519	69,775
121 - 365 days	8,888,212	2,042,038
	10,245,219	**2,488,843**

Refuse

Current (0 -30 days)	468,113	142,529
31 - 60 days	211,245	67,685
61 - 90 days	204,950	57,417
91 - 120 days	201,203	53,654
121 - 365 days	7,237,413	1,224,080
	8,322,924	**1,545,365**

Housing rental

Current (0 -30 days)	29,554	17,424
31 - 60 days	11,766	7,702
61 - 90 days	5,606	5,365
91 - 120 days	5,595	4,589
121 - 365 days	388,230	250,681
	440,751	**285,761**

Other

Current (0 -30 days)	185,428	11,826
31 - 60 days	58,831	2,936
61 - 90 days	11,957	2,698
91 - 120 days	13,637	1,662
121 - 365 days	518,926	1,028,718
	788,779	**1,047,840**

Summary of debtors by customer classification

Reconciliation of allowance for impairment

Balance at beginning of the year	(38,849,162)	(33,271,162)
Contributions to allowance	8,047,041	(5,578,000)
	(30,802,121)	**(38,849,162)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. VAT receivable

VAT	1,624,592	1,627,032

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,200	2,700
Bank balances	13,993,588	2,950,550
	13,994,788	**2,953,250**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	**June 30, 2022**	**June 30, 2021**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**
Standard Bank - Account number 08 321 2442 (Primary bank account)	256,648	1,524,272	5,951,599	256,648	1,524,272	5,951,599
ABSA Bank - Account number 24 9000 0065 (Secondary bank account)	2,662,901	814,476	932,153	2,662,901	814,476	966,368
Standard Bank Fixed deposit - Account number 28 864 1922	10,497,824	54,361	1,116,223	10,497,824	54,361	1,116,223
Eskom Investment account - Account number 92 9194 4935	18,050	18,050	18,050	18,050	18,050	18,050
FMG Call Account - Account number 28 8644 204	1,000	1,000	1,000	1,000	1,000	1,000
Standard Bank fixed deposit	34,750	34,750	34,750	34,750	34,750	34,750
Employee Leave Fund - Account number 405 435 2064	522,415	503,641	497,649	522,415	503,641	497,649
Total	**13,993,588**	**2,950,550**	**8,551,424**	**13,993,588**	**2,950,550**	**8,585,639**

Reconciliation of available cash and investment resources		
Cash and Cash Equivalents	13,993,588	2,950,550
Less: Unspent transfers and subsidies	(6,205,254)	(152,762)
Net cash resources available for internal distribution	**7,788,334**	**2,797,788**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Investment property

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	43,100,339	(4,449,106)	38,651,233	42,965,674	(4,170,413)	38,795,261

Reconciliation of investment property - 2023

	Opening balance	**Additions**	**Depreciation**	**Total**
Investment property	38,795,261	134,665	(278,693)	38,651,233

Reconciliation of investment property - 2022

	Opening balance	**Depreciation**	**Total**
Investment property	39,069,611	(274,350)	38,795,261

Pledged as security

None of the above properties have been pledged as security for any liabilities.

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.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

	2023	2022
Carrying value of land included in the carrying value of Investment property	2,650,000	2,650,000

The farm number 265 Verjaagfontein farm situated in the Fraserburg region was transferred to the Karoo Hoogland Local Municipality during the amalgamation process in 2001.

The property was never registered in Karoo Hoogland Local Municipality name and therefore Namakwa District Municipality undertake to rectify this and transferred the property in question to the Karoo Hoogland Municipality as soon as possible.

RDP houses is no longer part of Karoo Hoogland Local Municipality`s assets as the municipality is no longer exercising control over the assets. The transfer of ownership is still in process due to the backlog in the administration process of the deeds office.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	2,098,500	-	2,098,500	2,098,500	-	2,098,500
Buildings	6,635,050	(2,044,015)	4,591,035	6,635,050	(1,906,914)	4,728,136
Plant and machinery	533,641	(380,934)	152,707	519,992	(356,445)	163,547
Furniture and fixtures	1,707,717	(984,414)	723,303	1,702,684	(935,004)	767,680
Motor vehicles	5,758,940	(1,938,349)	3,820,591	5,462,244	(1,799,572)	3,662,672
Office equipment	470,557	(238,279)	232,278	517,564	(330,422)	187,142
IT equipment	1,692,983	(1,044,488)	648,495	1,701,540	(1,024,470)	677,070
Infrastructure	320,665,937	(92,496,147)	228,169,790	306,046,698	(83,693,393)	222,353,305
Community	22,943,802	(3,659,416)	19,284,386	19,589,064	(3,263,826)	16,325,238
Other property, plant and equipment	45,101	(34,504)	10,597	49,914	(35,958)	13,956
Solar panels	1,733,378	(428,451)	1,304,927	1,733,378	(319,707)	1,413,671
Tools and loose gear	124,221	(74,860)	49,361	99,792	(66,518)	33,274
Landfill site	21,422,536	(7,797,631)	13,624,905	21,073,304	(6,701,200)	14,372,104
Total	**385,832,363**	**(111,121,488)**	**274,710,875**	**367,229,724**	**(100,433,429)**	**266,796,295**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	WIP Additions	Disposals	Transfers to assets	Transfers from WIP	Change in estimate	Depreciation	Impairment loss	Total
Buildings	4,728,136	-	-	-	-	-	-	(137,101)	-	4,591,035
Community	16,325,238	90,025	3,264,713	-	-	-	-	(395,590)	-	19,284,386
Furniture and fixtures	767,680	108,712	-	(44,998)	-	-	-	(100,186)	(7,905)	723,303
IT equipment	677,070	152,001	-	(20,196)	-	-	-	(159,426)	(954)	648,495
Infrastructure	222,353,305	15,952,931	26,225	(90,921)	4,469,408	(4,949,814)	-	(9,591,344)	-	228,169,790
Land	2,098,500	-	-	-	-	-	-	-	-	2,098,500
Landfill sites	14,372,104	-	-	-	-	-	349,232	(1,096,431)	-	13,624,905
Motor vehicles	3,662,672	726,400	-	(163,856)	-	-	-	(404,625)	-	3,820,591
Office equipment	187,142	195,660	-	(1,260)	-	-	-	(149,264)	-	232,278
Other property, plant and equipment	13,956	-	-	(372)	-	-	-	(2,987)	-	10,597
Plant and machinery	163,547	13,649	-	-	-	-	-	(24,489)	-	152,707
Solar panels	1,413,671	-	-	-	-	-	-	(108,744)	-	1,304,927
Tools and loose gear	33,274	24,428	-	-	-	-	-	(8,341)	-	49,361
	266,796,295	**17,263,806**	**3,290,938**	**(321,603)**	**4,469,408**	**(4,949,814)**	**349,232**	**(12,178,528)**	**(8,859)**	**274,710,875**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP Additions	Disposals	Transfers to assets	Transfers from WIP	Change in estimate	Depreciation	Total
Buildings	4,865,237	-	-	-	-	-	-	(137,101)	4,728,136
Community	16,720,618	-	-	-	-	-	-	(395,380)	16,325,238
Furniture and fixtures	710,334	133,225	20,760	(350)	-	-	-	(96,289)	767,680
IT equipment	802,693	37,592	-	(621)	-	-	-	(162,594)	677,070
Infrastructure	209,230,881	9,585,969	12,675,531	-	9,011,779	(9,182,962)	-	(8,967,893)	222,353,305
Land	2,098,500	-	-	-	-	-	-	-	2,098,500
Landfill site	12,297,006	-	-	-	-	-	2,733,364	(658,266)	14,372,104
Motor vehicles	3,976,497	-	-	-	-	-	-	(313,825)	3,662,672
Office equipment	342,947	6,532	-	(556)	-	-	-	(161,781)	187,142
Other property, plant and equipment	16,943	-	-	-	-	-	-	(2,987)	13,956
Plant and machinery	186,119	-	-	(7)	-	-	-	(22,565)	163,547
Solar panels	1,522,415	-	-	-	-	-	-	(108,744)	1,413,671
Tools and loose gear	39,280	-	-	(16)	-	-	-	(5,990)	33,274
	252,809,470	**9,763,318**	**12,696,291**	**(1,550)**	**9,011,779**	**(9,182,962)**	**2,733,364**	**(11,033,415)**	**266,796,295**

Pledged as security

Carrying value of assets pledged as security:

Leased assets	123,580	53,768

Leased assets are classified as office equipment in the summary above.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	4,923,590	176,736	20,760	5,121,086
Additions	506,631	3,264,713	-	3,771,344
Disposals	-	-	(20,760)	(20,760)
Transfer to inventory	(480,407)	-	-	(480,407)
Transferred to completed items	(4,949,814)	-	-	(4,949,814)
	-	**3,441,449**	**-**	**3,441,449**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1,431,020	176,736	-	1,607,756
Additions	12,675,531	-	20,760	12,696,291
Transfer to inventory	(171,183)	-	-	(171,183)
Transferred to completed items	(9,011,778)	-	-	(9,011,778)
	4,923,590	**176,736**	**20,760**	**5,121,086**

Project for Fraserburg driving licence testing centres with a carrying amount of R178 180 (2022: R176 736) included within community assets has been halted due to limited funding. No impairment loss has been recognised relating to this project.

Expenditure incurred to repair and maintain property, plant and equipment

	2023	2022
Contracted services	1,392,064	934,980

Restoration cost is financed by way of a provision. Refer to note 18 for futher detail.

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.

11. Intangible assets

	2023			2022		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	490,991	(302,617)	188,374	470,854	(236,823)	234,031

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	234,031	20,137	(65,794)	188,374

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	292,920	7,377	(93)	(66,173)	234,031

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having indefinite useful life.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Other financial liabilities

At amortised cost		
Bank loan	962,918	1,208,572
Payable monthly in arrears at a 5% interest rate per annum.		
Non-current liabilities		
At amortised cost	704,811	962,894
Current liabilities		
At amortised cost	258,107	245,678

13. Finance lease obligation

Minimum lease payments due		
- within one year	85,383	68,998
- in second to fifth year inclusive	85,383	-
	170,766	68,998
less: future finance charges	(20,125)	(5,020)
Present value of minimum lease payments	**150,641**	**63,978**
Present value of minimum lease payments due		
- within one year	70,702	63,978
- in second to fifth year inclusive	79,939	-
	150,641	**63,978**
Non-current liabilities	79,939	-
Current liabilities	70,702	63,979
	150,641	**63,979**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 12% (2022: 12%).

No escalation clause is included in the contract. The machines will be returned to the lessor upon expiry of the lease, unless the municipality opts to continue on a month-to-month basis. The leases are used by the municipality for the majority of their useful life.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Market risk

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 44.

The fair value of finance lease liabilities approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Payables from exchange transactions

Trade payables	1,826,517	2,819,147
Payments received in advance	478,350	360,346
Accrued leave pay	2,136,979	1,938,095
Accrued bonus	709,755	728,427
Deposits received	151,499	138,862
Prepaid sales in advance	117,479	92,857
Unidentified deposits	119,828	38,851
Retentions	1,436,832	826,116
Payroll Creditors	10,122	25,402
Licence fees - Department of transport	11,357	-
	6,998,718	**6,968,103**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Included within Financial liabilities - Note 38		
Trade payables	1,826,517	2,819,147
Deposits received	151,499	138,862
Retentions	1,436,832	826,116
Payroll Creditors	10,122	25,402
Licence fees - Department of transport	11,357	-
	3,436,327	**3,809,527**

15. Consumer deposits

Electricity	57,677	57,887
Water	422,368	377,623
	480,045	**435,510**

Figures in Rand	2023	2022

16. Employee benefit obligations

Defined benefit plan

Karoo Hoogland Municipality has the following defined benefit plans in place. Actuarial valuations of these plans were performed at 30 June 2023. Details of the plans are disclosed below:

Current liabilities		
Post retirement medical aid plan	143,000	185,000
Long service award	75,000	194,000
	218,000	**379,000**
Non-current liabilities		
Post retirement medical aid plan	1,643,000	2,043,000
Long service award	1,677,000	1,637,000
	3,320,000	**3,680,000**
Total defined benefit obligation		
Post retirement medical aid plan	1,786,000	2,228,000
Long service award	1,752,000	1,831,000
	3,538,000	**4,059,000**

16.1 Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue memberhip of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 70% subsidy. Upon a member`s death-in-retirement, the surviving dependents will continue to receive the same 70% subsidy.

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2023 and performed by independant professional valuators. The next actuarial valuation is expected to be performed on 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1,786,000)	(2,228,000)
Non-current liabilities	1,643,000	2,043,000
Current liabilities	143,000	185,000
	1,786,000	**2,228,000**

In-service members:

The average in-service member liability has increased by 20% since the last valuation and because there was no change in the number of in-service members
- an increase in the average age which means members are closer to retirement (less discounting) -
an increase in the average past service;
- an increase in the average post-employment subsidy.

These impacts were partially offset by increases in the net discount rates.

Continuation members:

The average continuation member liability has decreased by 3% since the last valuation due to increases in the net discount rates, and increase in the average age.

The total continuation member liability has also decreased by 3% due to the above, combined with a decrease in the number of continuation members.

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

	2023	2022
Opening balance	2,228,000	2,174,000
Net expense recognised in the statement of financial performance	(442,000)	54,000
	1,786,000	**2,228,000**

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	22,000	18,000
Interest cost	227,000	186,000
Actuarial (gains) losses	(423,496)	35,000
Settlement	(267,504)	(185,000)
	(442,000)	**54,000**

Calculation of actuarial gains and losses

	2023	2022
Actuarial (gains) losses – Obligation	(423,496)	35,000

The Current-service Cost for the ensuing year is estimated to be R22 000 whereas the Interest Cost for the next year is estimated to be R194 000.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.32 %	10.66 %
Health care cost inflation rate	7.07 %	7.53 %
Net-of-health-care-cost-inflation discount rate	3.97 %	2.91 %

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.32% per annum has been used. The corresponding index-linked yield at this term is 4.97%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2023.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability).. The two main components of the liability are as follows:
- Employees post-employment subsidy liability
- Continuation members`liability.

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.07% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.57%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.97% which derives from ((1+11.32%)/(1+7.07%))-1.

The expected inflation assumption of 5.57% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.97%) and those of fixed interest bonds (11.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+11.32%-0.50%)/(1+4.97%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2024.

Mortality During Employment:

The SA 85-90 ultimate table, adjusted for female lives.

Post-Employment Mortality:

The PA 90 ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expert 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die i.e 1.99% is derived from [1 - (1 - 1%)], and so on.

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality’s health care arrangement should they stay until retirement.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Withdrawal from Service:

If an in-service member leaves, the employer’s liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. Since the remaining in-service member is above the age of 55, it is assumed that he will not withdraw before retirement.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it was assumed that the remaining eligible in-service member will still have a spouse dependant on his medical aid at retirement. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

16. Employee benefit obligations (continued)

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	229,000	202,000

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

	2023	2022	2021	2020	2019
Defined benefit obligation	1,786,000	2,228,000	2,174,000	2,605,000	2,995,000
Experience adjustments on plan liabilities	(691,000)	128,000	(345,000)	(63,000)	184,000

Sensitivity Analysis on the Accrued Liability as at 30 June 2023

Assumption	Change	In-Service Members	Continuation Members	Total	% Change
Central assumptions	-	624,000	1,162,000	1,786,000	-
Health care inflation rate	1 %	669,000	1,216,000	1,885,000	6 %
Health care inflation rate	(1)%	568,000	1,107,000	1,675,000	(6)%
Discount rate	1 %	561,000	1,095,000	1,656,000	(7)%
Discount rate	(1)%	700,000	1,237,000	1,937,000	8 %
Post-employment mortality	1 %	611,000	1,114,000	1,725,000	(3)%
Post-employment mortality	(1)%	636,000	1,210,000	1,846,000	3 %
Average retirement age	(1)%	689,000	1,162,000	1,851,000	4 %
Membership continuation	(10)%	562,000	1,162,000	1,724,000	(3)%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30 June 2023

Assumption	Change	Current-Service Cost	Interest Cost	Total	% Change
Central assumptions	-	22,000	227,000	249,000	-
Health care inflation rate	1 %	24,000	240,000	264,000	6 %
Health care inflation rate	(1)%	20,000	213,000	233,000	(6)%
Discount rate	1 %	19,000	229,000	248,000	- %
Discount rate	(1)%	25,000	225,000	250,000	- %
Post-employment mortality	1 %	21,000	218,000	239,000	(4)%
Post-employment mortality	(1)%	22,000	236,000	258,000	4 %
Average retirement age	(1)%	24,000	234,000	258,000	4 %
Membership continuation	(10)%	20,000	221,000	241,000	(3)%

Defined benefit plan

16.2 Long service awards

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

The Current-service Cost for the ensuing year is estimated to be R143 000 whereas the Interest Cost for the next year is estimated to be R190 000.

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1,752,000)	(1,831,000)
Non-current liabilities	1,677,000	1,637,000
Current liabilities	75,000	194,000
	1,752,000	**1,831,000**

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

	2023	2022
Opening balance	1,831,000	2,160,000
Net expense recognised in the statement of financial performance	(79,000)	(329,000)
	1,752,000	**1,831,000**

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	148,000	160,000
Interest cost	184,000	170,000
Actuarial (gains) losses	(301,930)	(427,521)
Settlement	(109,070)	(231,479)
	(79,000)	**(329,000)**

Calculation of actuarial gains and losses

	2023	2022
Actuarial (gains) losses – Obligation	(314,898)	(427,521)

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	11.08 %	10.60 %
General Salary Inflation (long-term)	6.47 %	7.04 %
Net effective discount rate	4.33 %	3.33 %

The earnings disclosed above and used in the valuation include an increase of 5.40% as at 1 July 2023, as per the SALGBC Circular No: 01/2023.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

Sensitivity analysis

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

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

	2023	2022	2021	2020	2019
Long service awards obligation	1,752,000	1,831,000	2,160,000	1,950,000	2,086,000
Experience adjustments on plan liabilities	(301,930)	(108,000)	85,000	(56,101)	48,511

Sensitivity Analysis on the Accrued Liability as at 30 June 2023

Assumption	Change		Liability	% Change
Central assumptions		-	1,752,000	-
General earnings inflation rate	1	%	1,853,000	6 %
General earnings inflation rate	(1)	%	1,659,000	(5)%
Discount rate	1	%	1,658,000	(5)%
Discount rate	(1)	%	1,856,000	6 %
Average retirement age (yrs)	2		1,895,000	8 %
Average retirement age (yrs)	(2)		1,621,000	(7)%
Withdrawal rates (multiply)	2		1,425,000	(19)%
Withdrawal rates (multiply)	0.5		1,965,000	12 %

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30 June 2023

Assumption	Change		Current-Service Cost	Interest Cost	Total	% Change
Central assumptions		-	148,000	184,000	332,000	-
General earnings inflation rate	1	%	160,000	196,000	356,000	7 %
General earnings inflation rate	(1)	%	138,000	173,000	311,000	(6)%
Discount rate	1	%	139,000	189,000	328,000	(1)%
Discount rate	(1)	%	159,000	178,000	337,000	2 %
Average retirement age (yrs)	2		158,000	198,000	356,000	7 %
Average retirement age (yrs)	(2)		138,000	168,000	306,000	(8)%
Withdrawal rates (multiply)	2		109,000	146,000	255,000	(23)%
Withdrawal rates (multiply)	0.5		177,000	210,000	387,000	17 %

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	6,205,254	-
Library Development Grant	-	152,762
	6,205,254	**152,762**

See note 25 for reconciliation of grants from National/Provincial Government.

The Unspent Grants are cash-backed by available funds in the bank accounts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	32,205,862	349,232	3,645,694	36,200,788

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	26,274,847	2,733,363	3,197,652	32,205,862

Environmental rehabilitation provision

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R202 579 511 (2022: R186 246 024) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset.

Details of the sites are as follows:

Location and estimated decommision date		
Fraserburg - 2031	13,716,629	12,583,838
Sutherland - 2041	13,228,711	11,845,697
Williston - 2041	9,255,448	7,776,325
	36,200,788	**32,205,860**

Material Assumptions used

It is assumed that sufficient on-site quantities for the confining layer and topsoil would be available free of charge.

The rate of the levelling layer is based on importing the quantities from commercial sources to ensure good quality materials.

Insufficient quantities of the required quality clay would be available from on-site or nearby sources. As a result the clay will be replaced by a geosynthetic equivalent (GCL).

The average rate of inflation is determined as 5.22%.

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated rate as determined by the municipality.

Discount rate		
Fraserburg	9.982 %	10.243 %
Sutherland	11.954 %	11.530 %
Williston	11.954 %	11.530 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Service charges

Sale of electricity	10,806,901	11,259,371
Sale of water	5,397,564	5,124,092
Sewerage and sanitation charges	4,870,226	4,894,302
Refuse removal	4,034,572	4,033,763
Revenue forgone	(4,377,931)	(4,122,449)
	20,731,332	**21,189,079**

Revenue foregone represents rebates allowed to consumers at transaction date:

Revenue foregone		
Sale of electricity	17,487	1,037
Sale of water	1,201,817	1,068,375
Sewerage and sanitation charges	1,645,373	1,312,603
Refuse removal	1,513,253	1,202,750
	4,377,930	**3,584,765**

20. Rental of facilities

Rental of facilities	858,742	696,516

It is the municipality's policy to rent out facilities, site rentals, commonage and farms to the community.

The average lease term was between 1 and 3 years.

Figures in Rand	2023	2022

21. Accounting by principals and agents

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

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

The municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid
vendors earn commission on the value of each transaction.

The municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, Safety and Liason, and collects licencing fees on behalf of themt. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

The municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Entity as agent

Compensation received for agency activities

The municipality received 12% commission from the Provincial Department of Transport, Safety and Liason for acting as an agent on their behalf
during the financial year.

The municipality received 2.5% commission from various third parties for authorised salary deductions from officials.

Amounts payable at year-end are disclosed in note 14

Compensation received		
Agency service - Department of Transport, Safety and Liason	116,201	82,152
Agency service - 3rd Parties	34,711	31,447
	150,912	**113,599**

Entity as principal

The municipality paid 4% commission to various service providers for selling prepaid electricity on its behalf during the year.

Fee paid as compensation to the agent		
Prepaid electricity vendors	238,309	268,582

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Other income

LG Seta Skills development	51,679	126,983
Sundry income	409,607	789,927
Unallocated deposits recognised	38,851	43,437
	500,137	**960,347**

23. Interest received - investment

Interest revenue		
Bank accounts	869,185	416,151
Deposits receivable	10,792	-
	879,977	**416,151**

24. Property rates

Rates received

Residential, commercial property, state and farms	7,492,308	8,961,649
Less: Revenue forgone	(1,022,010)	(1,942,601)
	6,470,298	7,019,048
Property rates - interest received	807,366	602,532
	7,277,664	**7,621,580**

Valuations

Residential	280,391,000	280,513,000
Commercial	121,122,000	93,151,000
State	1,850,000	1,850,000
Municipal	36,902,000	36,905,000
Small holdings and farms	3,684,384,500	3,719,228,500
Public Service Infrastructure (Zero Rated)	731,000	731,000
Public Benefit Organisations	18,475,000	18,472,000
Vacant land	22,994,500	23,223,500
Public Service Property	46,318,000	46,318,000
	4,213,168,000	**4,220,392,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.012477 (2022: R0.011905) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

The new general valuation will be implemented on 01 July 2023.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Government grants & subsidies

Operating grants		
Equitable share	30,429,000	25,216,102
Local Government Financial Management Grant	2,650,000	2,650,000
Expanded Public Works Program	1,073,000	-
Library Development Grant	1,352,762	1,500,000
National Treasury assistance	-	393,666
	35,504,762	**29,759,768**
Capital grants		
Municipal Infrastructure Grant	11,356,746	14,276,000
Library Development Grant	-	37,706
Water Services Infrastructure Grant	11,000,000	10,000,000
	22,356,746	**24,313,706**
	57,861,508	**54,073,474**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	27,432,508	28,857,372
Unconditional grants received	30,429,000	25,216,102
	57,861,508	**54,073,474**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	3,985,102
Current-year receipts	17,562,000	14,276,000
Conditions met - transferred to revenue	(11,356,746)	(14,276,000)
Other	-	(3,985,102)
	6,205,254	**-**

Conditions still to be met - remain liabilities (see note 17).

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

Local Government Financial Management Grant

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

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Government grants & subsidies (continued)

Expanded Public Works Program

Current-year receipts	1,073,000	-
Conditions met - transferred to revenue	(1,073,000)	-
	-	-

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning.

Library Development Grant

Balance unspent at beginning of year	152,762	(1,209,532)
Current-year receipts	1,200,000	1,500,000
Prior year allocation received	-	1,400,000
Conditions met - transferred to revenue	(1,352,762)	(1,537,706)
	-	**152,762**

Conditions still to be met - remain liabilities (see note 17).

The grant is being used to support library services.

National Treasury assistance

Current-year receipts	-	393,666
Conditions met - transferred to revenue	-	(393,666)
	-	-

This grant relates to audit fees that were paid by National Treasury on behalf of the municipality.

Water Services Infrastructure Grant

Current-year receipts	11,000,000	10,000,000
Conditions met - transferred to revenue	(11,000,000)	(10,000,000)
	-	-

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Figures in Rand	2023	2022

26. Services in kind

Provincial Treasury assistance	530,366	-

Provincial Treasury seconded an individual to act as Chief Financial Officer for a period of 7 months. Revenue from services in kind was recognised as the following criteria is satisfied:
- The position of CFO is critical to the operations of the municipality's finance function and the official was in service for more than half a year;
- The official complied with the municipality's policies and procedures, and reported to the accounting officer; and
- Fair value of the services are considered to be the approved salary scales as determined by Government Gazette no 47538 of 18 Nov 2022.

27. Employee related costs

Bargaining council contributions	10,036	10,455
Basic	20,179,009	20,732,110
Bonus	1,453,221	1,774,697
Leave pay provision charge	308,100	237,850
Long-service awards	148,000	160,000
Long-term benefits - incentive scheme	22,000	18,000
Overtime payments	555,749	1,000,607
SDL	243,870	259,270
Travel, motor car, accommodation, subsistence and other allowances	1,031,012	1,157,801
UIF and pension	1,802,175	1,512,143
	25,753,172	**26,862,933**

Remuneration of the Municipal Manager: J Jonkers

Annual Remuneration	139,527	-
Cell Phone Allowance	4,636	-
Leave recovered	(4,147)	-
	140,016	**-**

Remuneration of Acting Municipal Manager : DP Malan

Annual Remuneration	872	-

Remuneration of Acting Municipal Manager : A Gibbons

Annual Remuneration	54,178	-

Remuneration of the Municipal Manager: JJ Fortuin

Annual Remuneration	34,731	943,033
Car Allowance	2,860	207,027
Performance Bonuses	-	139,589
Cell phone allowance	-	23,578
Leave payout	2,231	148,709
	39,822	**1,461,936**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs (continued)

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	454,758	831,417
Car Allowance	122,526	234,504
Performance Bonuses	-	127,911
Cell phone allowance	12,000	24,000
Leave payout	28,572	170,846
	617,856	**1,388,678**

Remuneration of Acting Director Financial Services: SJ van Schalkwyk

Acting allowance	15,075	-

Remuneration of the Director Technical Services: FJ Lotter

Annual Remuneration	708,985	684,653
Car Allowance	150,870	130,410
Performance Bonuses	-	97,808
Cell phone allowance	24,000	24,000
Leave Payout	59,565	-
	943,420	**936,871**

Remuneration of Acting Director Financial Services: AR Leteane

Mr Leteane was seconded by Provincial Treasury to act in the vacant CFO position from 4 November 2022 until 30 June 2023.

Revenue from Services received in kind has been recognised. Refer to note 26.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors

Mayor	890,955	793,702
Councillors	3,891,562	3,019,159
	4,782,517	**3,812,861**

VC Wentzel - (Resigned as Mayor 8 November 2021)		
Basic salary	351,696	432,584
Cell phone allowance	44,400	44,400
Vehicle allowance	-	48,667
	396,096	**525,651**

JJ van der Colff		
Basic salary	566,156	274,342
Cell phone allowance	44,400	44,400
Vehicle allowance	62,906	30,482
	673,462	**349,224**

J Davids		
Basic salary	320,980	274,342
Cell phone allowance	44,400	44,400
Vehicle allowance	35,665	30,482
	401,045	**349,224**

A Januarie		
Basic salary	2,765	90,621
Cell phone allowance	-	14,494
	2,765	**105,115**

G Klazen		
Basic salary	2,747	90,621
Cell phone allowance	-	15,773
	2,747	**106,394**

J Jooste		
Basic Salary	2,747	90,621
Cell phone allowance	-	14,494
	2,747	**105,115**

JJ Jacobs		
Basic salary	2,747	90,621
Cell phone allowance	-	15,773
	2,747	**106,394**

E Oliphant		
Basic salary	267,675	164,178
Cell phone allowance	44,400	28,576
	312,075	**192,754**

SA Muller		
Basic salary	267,675	164,178
Cell phone allowance	44,400	28,576

Figures in Rand	2023	2022

28. Remuneration of councillors (continued)

	312,075	**192,754**
VT Opperman		
Basic salary	353,898	213,911
Cell phone allowance	44,400	28,576
	398,298	**242,487**
Rvd Merwe Geel		
Basic salary	494,119	164,178
Cell phone allowance	44,400	28,576
	538,519	**192,754**
AS Mietas - (Appointed as Mayor 9 November 2021)		
Basic salary	575,293	497,656
Cell phone allowance	44,400	28,576
	619,693	**526,232**
M.J Chadow (Appointed as Speaker 9 November 2021)		
Basic salary	451,700	404,669
Cell phone allowance	44,400	28,576
	496,100	**433,245**
AE Steenkamp		
Basic salary	267,675	164,178
Cell phone allowance	44,400	28,576
	312,075	**192,754**
CG Steenkamp		
Basic salary	267,675	164,178
Cell phone allowance	44,400	28,576
	312,075	**192,754**

Additional information

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

29. Depreciation and amortisation

Property, plant and equipment	11,245,165	10,363,475
Investment property	278,693	274,349
Intangible assets	65,794	66,173
	11,589,652	**10,703,997**

Depreciation reconciliation		
Depreciation per note 10 - Property, plant and equipment	12,178,528	11,033,413
Less: Depreciation capitilised to inventory	(933,363)	(669,938)
	11,245,165	**10,363,475**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. Finance costs

Actuarial interest	411,000	356,000
Long term borrowings	82,797	84,798
Provision for the rehabilitation of landfill sites	3,645,694	3,197,652
Trade and other payables	78,211	92,385
	4,217,702	**3,730,835**

31. Debt impairment

(Debt impairment) / Reversal of debt impairment	9,803,314	(6,256,372)

32. Assets transferred to households

Sewage reticulation	2,527,430	-

Capital project - Sewage Reticulation for 127 Stands in Williston was completed during the financial year. The Precast Toilets consist of the supply, delivery, and installation of a complete waterborne concrete top structure including all fittings, cistern, and toilet for each household. Preliminary and General Fees were also included in the cost of the top structures.

Above expenditure was recognised as expense as it is transferred to households upon completion and no future service potential or economic benefits are expected from these structures.

33. Bulk purchases

Electricity - Eskom	10,252,583	11,008,067

34. Contracted services

Contractors		
Maintenance of Equipment	1,392,064	934,980

Figures in Rand	2023	2022

35. Operating cost

Advertising	76,974	90,182
Audit committee	71,585	71,168
Auditors remuneration	3,140,747	3,144,857
Bank charges	242,989	276,982
Commission paid	238,309	268,582
Consulting and professional fees	1,968,923	1,954,056
Consumables	828,475	479,449
Donations	25,114	60,000
Entertainment	20,605	24,852
Fuel and oil	1,043,126	908,819
Insurance	400,096	333,938
Internal audit	-	7,190
Library projects	2,621	39,969
Membership fees	482,705	508,705
Other expenses	84,184	94,486
Postage and courier	-	4,095
Printing and stationery	573,842	435,817
Research and development costs	15,984	32,821
Security	43,619	55,661
Software expenses	2,490,067	2,549,889
Staff welfare	120,980	48,387
Telephone and fax	326,389	560,955
Title deed search fees	20,976	18,591
Training	149,085	145,603
Travel - local	1,212,360	968,122
	13,579,755	**13,083,176**

36. Cash generated from operations

Surplus	5,959,291	9,135,840
Adjustments for:		
Depreciation and amortisation	11,589,652	10,704,159
Loss on disposal of property, plant and equipment	321,605	1,643
Finance costs	4,139,491	84,798
Impairment deficit	138,619	-
Debt impairment	(9,803,314)	6,256,372
Bad debts written off	21,461,400	783,207
Movements in retirement benefit assets and liabilities	(206,575)	117,521
Movements in provisions	180,212	3,197,652
Inventory adjustment	1,674,516	-
Actuarial gain	(725,425)	(392,521)
Contributed assets	(726,400)	-
Changes in working capital:		
Inventories	(1,000,605)	228,137
Other receivables from exchange transactions	(450,466)	(209,766)
Consumer debtors	(6,114,833)	(5,853,166)
Other receivables from non-exchange transactions	(551,349)	398,637
Payables from exchange transactions	(760,322)	(3,188,658)
VAT	(1,019,366)	(1,032,379)
Unspent conditional grants and receipts	6,052,492	(4,022,808)
Consumer deposits	44,535	67,313
	30,203,158	**16,275,981**

37. Cash flows from investing activities

Reconciliation between additions per note 10 - Property, plant and equipment and Purchase of property, plant and equipment per Cash Flow Statement:

Figures in Rand	2023	2022

37. Cash flows from investing activities (continued)

Capital additions - Note 10	17,263,805	9,763,318
WIP additions - Note 10	3,290,938	12,696,291
Transfers to inventory	(480,406)	(171,183)
Movement in retention creditors	(610,716)	(816,041)
Finance lease initial recognition	(185,369)	-
Contributed assets	(726,400)	-
Purchase of property, plant and equipment per Cash Flow Statement	**18,551,852**	**21,472,385**

38. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Cash and cash equivalents	13,994,788	13,994,788
Other receivables from exchange transactions	787,219	787,219
Receivables from exchange transactions	4,254,186	4,254,186
	19,036,193	**19,036,193**

Financial liabilities

	At amortised cost	Total
Consumer deposits	480,045	480,045
Finance lease liability	150,641	150,641
Other financial liabilities	962,918	962,918
Trade and other payables from exchange transactions - Note 14	3,436,327	3,436,327
	5,029,931	**5,029,931**

2022

Financial assets

	At amortised cost	Total
Cash and cash equivalents	2,953,250	2,953,250
Other receivables from exchange transactions	160,957	160,957
Receivables from exchange transactions	9,737,572	9,737,572
	12,851,779	**12,851,779**

Financial liabilities

	At amortised cost	Total
Consumer deposits	435,510	435,510
Finance lease liability	63,979	63,979
Other financial liabilities	1,208,572	1,208,572
Trade and other payables from exchange transactions - Note 14	3,809,527	3,809,527
	5,517,588	**5,517,588**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Commitments

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment	5,578,976	89,739
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	13,000,000	-
Total capital commitments		
Already contracted for but not provided for	5,578,976	89,739
Not yet contracted for and authorised by accounting officer	13,000,000	-
	18,578,976	**89,739**

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and government grants and subsidies.

40. Contingencies

2023:

Contingent liabilities:

KHM vs JK Malho

Review the application on the arbitration award ordering the reinstatement of JK Malho. The estimate of the financial exposure amounts to R200 000.

Contingent assets:

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

2022:

Contingent liabilities:

KHM vs JK Malho

Review the application on the arbitration award ordering the reinstatement of JK Malho. The estimate of the financial exposure amounts to R200 000.

Contingent assets:

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

Figures in Rand	2023	2022

41. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report
District Municipality	Namakwa District Municipality
Members of key management	S Myburgh
	F Lotter
	JJ Fortuin (Resigned, 24 June 2022)
Members of Council	VC Wentzel
	JE Davids
	A Januarie (Resigned, 08 November 2021)
	G Klazen (Resigned, 08 November 2021)
	J Jooste (Resigned, 08 November 2021)
	JJ van der Colff
	JJ Jacobs (Resigned, 08 November 2021)
	E Oliphant (Appointed, 09 November 2021)
	SA Muller (Appointed, 09 November 2021)
	VT Opperman (Appointed, 09 November 2021)
	RvdM Geel (Appointed, 09 November 2021)
	AS Mietas (Appointed as Mayor, 09 November 2021)
	MJ Chadow (Appointed, 09 November 2021)
	AE Steenkamp (Appointed, 09 November 2021)
	CG Steenkamp (Appointed, 09 November 2021)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties	2023	2022
SM Davids	476	454
VC Wentzel	483	469
JJ van der Colff	937	891
SA Muller	3	441
VT Opperman	899	744
AE Steenkamp	688	674
CG Steenkamp	1,033	1,076
AS Mietas	1,489	1,929
MJ Chadow	507	484
Rvd Merwe Geel	643	3,155

Related party transactions

Rates levied to Councillors 1 July to 30 June	2023	2022
SM Davids	197	188
JJ van der Colff	3,764	3,567
SA Muller	33	66
VT Opperman	5,058	139
AE Steenkamp	2,271	1,444
CG Steenkamp	6,064	3,857
AS Mietas	12,352	7,883
MJ Chadow	568	719
Rvd Merwe Geel	10,780	6,876

Service charges to Councillors levied 1 July to 30 June	2023	2022
SM Davids	5,884	5,430
VC Wentzel	6,164	6,554
SA Muller	1,449	2,751
VT Opperman	8,509	2,486
AE Steenkamp	6,173	4,049
CG Steenkamp	8,775	5,090

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Related parties (continued)

AS Mietas	8,732	5,292
MJ Chadow	5,512	3,507
Rvd Merwe Geel	26,009	15,735

Rates levied to Key Management

FJ Lotter	-	5,218

Services levied to Key Management

FJ Lotter	-	6,700

Transactions with related parties are on the same terms and conditions as the general public.

Refer to note 50 for councillor accounts that were in arrears at year-end.

Remuneration of management

Remuneration of key management refer to note 27 of the annual financial statements.

Remuneration of councillors

Remuneration of councillors refer to note 28 of the annual financial statements.

42. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions		3,395,365	(3,115)	3,392,250
Other receivables from exchange transactions		439,935	(103,182)	336,753
Receivables from exchange transactions		9,617,501	120,068	9,737,569
VAT receivable		1,642,753	(15,721)	1,627,032
Property, plant and equipment		266,671,804	124,494	266,796,298
Inventories		696,183	234,627	930,810
Opening balance accumulated surplus		(270,467,179)	(106,447)	(270,573,626)
		11,996,362	**250,724**	**12,247,086**

Statement of financial performance

42. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Service charges		(21,195,741)	6,663	(21,189,078)
Rental of facilities and equipment		(579,997)	(116,519)	(696,516)
Interest received (trading)		(2,496,130)	4,869	(2,491,261)
Property rates		(7,023,861)	4,814	(7,019,047)
Property rates - Interest received		(604,220)	1,689	(602,531)
Debt Impairment		6,280,978	(24,606)	6,256,372
Depreciation and amortisation		10,700,187	3,811	10,703,998
Operating cost		13,304,704	(221,526)	13,083,178
Bulk purchases		10,904,885	103,182	11,008,067
Water inventory consumed		4,398,557	(2,760,782)	1,637,775
Water losses		289,466	(289,466)	-
Gain on water inventory		(3,037,147)	3,037,147	-
Surplus for the year		**10,941,681**	**(250,724)**	**10,690,957**

Errors

The following prior period errors adjustments occurred:

Billing corrections

Corrections to consumer accounts due to incorrect billings.

Correction results in decrease in Receivables from non-exchange transactions by R3 115, decrease in VAT receivable by R15 721, increase in Receivables from exchange transactions by R120 068, decrease in Opening accumulated surplus by R21 858, decrease in service charges by R6 663, increase in Rental of facilities by R116 519, decrease in Interest received by R4 869, decrease in Property rates by R4 814, and the decrease in Interest from property rates by R1 689.

Eskom deposit incorrectly accounted for

A prepaid deposit that was paid to Eskom, was offset against the municipality's June 2022 Eskom invoice. The municipality incorrectly accounted for this transaction by decreasing bulk purchase expense, rather than Deposits receivable. The correction of this error results in the decrease in Other receivables from exchange transactions by R103 182 and the decrease in Bulk purchase expense by the same amount.

Assets not accounted for

Numerous assets were found not to be recorded in the accounting records of the municipality. The recording of the assets results in the increase in Property, plant and equipment by R124 494, increase in depreciation expense by R3 811 and increase in opening accumulated surplus by R128 305.

Inventories not accounted for

Consumable stores were identified as not being recorded as inventories in 2022. The recording of the inventories results in the increase in Inventories by R221 526 and decrease in operating costs by the same amount.

Water inventory valuation

Additional guidance in relation to the valuation of water inventory was provided by the ASB. The guidance indicated that water extracted from boreholes be measured at costs to bring the inventory to its current location and condition as well as costs of conversion. As such, the gain recognised in relation to the water should be derecognised. The correction results in the decrease in Gain on water inventory by R3 037 147, decrease in water losses by R289 466 and decrease in water inventory consumed by R2 760 782, and increase in Inventory by R13 101.

42. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Debt impairment was reclassified on the Statement of Financial performance to Other gains and losses.

43. Change in estimate

Provision for rehabiliation of landfill sites liability

The estimated rehabilitation cost of the municipality's landfill sites has increased, resulting in a change in accounting estimate being recognised. This is mainly due to an increase in the footprint of the landfill site and increase in construction tariffs. Refer to note 18 for additional information.

The effect of the change in estimate does not have an immediate effect in the current year, as it is assumed to occur at the end of the accounting period. The change in future periods will likely have the following effect:

	2023/2024	2024/2025	2025/2026
Increase in depreciation	11,615	11,615	11,615
Increase in finance costs	112,804	134,312	159,421
	124,419	**145,927**	**171,036**

44. Risk management

Financial risk management

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

44. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300,551	300,551	450,601	-
Finance lease obligation	85,383	85,383	-	-
Payables from exchange transactions	3,436,327	-	-	-
Consumer deposits	480,045	-	-	-
	4,302,306	**385,934**	**450,601**	**-**

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	245,678	258,134	704,662	-
Finance lease obligation	63,979	-	-	-
Payables from exchange transactions	3,809,527	-	-	-
Consumer deposits	435,510	-	-	-
	4,554,694	**258,134**	**704,662**	**-**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	**2023**	**2022**
Cash and cash equivalents	13,994,788	2,953,250
Receivables from exchange transactions	4,254,186	9,737,572
Other receivables from exchange transactions	787,219	160,957

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Risk management (continued)

Market risk

Interest rate risk

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

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax surplus of a 0.1% shift would be a maximum increase of R105 (2022: R12 726) or decrease of R 111 (2022: R12 726), respectively. The simulation is done on a quarterly basis to verify that the maximum deficit potential is within the limit given by the management.

The loan with DBSA is at a fixed interest rate. Therefore the municipality is not exposed to an interest rate risk in this regard.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations as it does not incur foreign exchange transactions. All revenue is invoiced in home currency and the municipality only sources from South African suppliers.

45. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding from National Treasury for the on-going operations for the municipality. The municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligation and to increase its cash flow.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from Equitable Share allocation in terms of the Division of Revenue Act.

46. Events after the reporting date

No events after the reporting date were identified by management that will affect the operations of the municipality or the results of those operations significantly:

47. Unauthorised expenditure

Opening balance as previously reported	158,927,768	145,195,358
Add: Unauthorised expenditure - current	29,577,318	13,732,410
Closing balance	**188,505,086**	**158,927,768**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	10,125,468	9,618,807
Cash	19,451,850	4,113,603
	29,577,318	**13,732,410**

Figures in Rand	2023	2022

47. Unauthorised expenditure (continued)

Operating unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Executive and Council	-	301,343
Vote 2 - Directorate Corporate Services	-	38,703
Vote 3 - Directorate Financial Services	23,927,112	-
Vote 4 - Directorate Infrastructure Services	-	9,278,761
Vote 5 - Community & Social Services	2,131,938	-
	26,059,050	**9,618,807**

Capital unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Executive and Council	235,343	88,685
Vote 3 - Directorate Financial Services	-	39,418
Vote 4 - Directorate Infrastructure Services	-	3,985,500
Vote 5 - Community & Social Services	3,282,924	-
	3,518,267	**4,113,603**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	2,450,615	2,357,975
Add: Fruitless and wasteful expenditure identified - current	441,217	92,640
Less: Amount recovered - current	(11,776)	-
Less: Amount written off by suppliers - current	(90,068)	-
Closing balance	**2,789,988**	**2,450,615**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2023	2022
Interest - late payments to suppliers	None	168,292	92,640
Travel and subsistence paid without attendance register to support claims	None	48,164	-
Meeting cancelled without any notice	None	710	-
Fruitless travel and subsistence recovered from salaries	None	(11,776)	-
Labour court settlement	None	224,101	-
		429,491	**92,640**

Amounts recoverable

None of the above amounts identified as recoverable.

Amount written-off

No amounts were written-off.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Irregular expenditure

Opening balance as previously reported	50,462,304	49,368,237
Add: Irregular expenditure - current	200,484	1,094,067
Closing balance	**50,662,788**	**50,462,304**

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

	Disciplinary steps taken/criminal proceedings		
Procurement process not followed	None	177,196	649,689
Not a CSD Supplier	None	4,773	4,336
Directors have interest in a related company	None	-	12,169
Tender who scored the highest points was not awarded	None	-	337,873
Non-compliance with Section 15 of the MFMA	None	-	90,000
Contract overspent	None	18,515	-
		200,484	**1,094,067**

Amount recoverable

None of the above amounts identified as recoverable.

Amount written-off

No amounts were written-off.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,824,472	1,817,267
Current year subscription / fee	482,705	508,705
Amount paid - current year	(482,705)	(501,500)
Amount paid - previous years	(507,205)	-
	1,317,267	**1,824,472**

The municipality has committed to pay an amount of R18 000 over 56 equal instalments, with the last instalment on 1 February 2028, in order to settle the outstanding balance.

Figures in Rand	2023	2022

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

Other material losses

Electricity distribution losses		
Units purchased (Kwh)	5,191,570	5,404,061
Units lost during distribution (Kwh)	547,346	512,788
Percentage lost during distribution	10.54 %	9.49 %
Rand value of loss	1,080,927	1,044,549

Water distribution losses		
Kiloliters raw water input	300,777	290,758
Kiloliters lost during distribution	27,561	18,579
Percentage lost during distribution	9.16 %	6.39 %
Rand value of loss	154,725	104,651

The electricity energy losses can be classified into non-technical losses during the 2022/2023 financial year.

The enitiy`s non-technical losses increased to 10.54% from 9.49%. The non-technical losses are
attributable mainly to the following:
- Theft and bypass of meters;
- Illegal decalibration of meters;
- Damaged meters and faulty voltage and current transformers; and
- Customers without meters
- Decrease in purchases due to increase in load shedding

Audit fees

Opening balance	90,068	2,145,240
Current year subscription / fee	3,777,316	3,762,144
Amount paid - previous years	-	(1,800,000)
Amount paid - current year	(3,611,859)	(3,222,919)
Credit note - previous year	(90,068)	(314,187)
Amount settled by National Treasury	-	(393,666)
Amount written off	-	(86,544)
	165,457	**90,068**

PAYE and UIF

Current year subscription / fee	4,956,143	5,570,876
Amount paid - current year	(4,956,143)	(5,570,876)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	3,865,672	3,944,169
Amount paid - current year	(3,865,672)	(3,944,169)
	-	-

VAT

VAT receivable	1,624,592	1,627,032

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

Figures in Rand	2023	2022

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

Councillors' arrear consumer accounts

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

June 30, 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
SA Muller	3	-	3
VT Opperman	899	-	899
SM Davids	476	-	476
VC Wentzel	483	-	483
AE Steenkamp	688	-	688
JJ van der Colff	937	-	937
CG Steenkamp	1,033	-	1,033
AS Mietas	1,489	-	1,489
MJ Chadow	507	-	507
Rvd Merwe Geel	643	-	643
	7,158	**-**	**7,158**

June 30, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
SA Muller	441	-	441
VT Opperman	744	-	744
SM Davids	454	-	454
VC Wentzel	469	-	469
AE Steenkamp	674	-	674
JJ van der Colff	891	-	891
CG Steenkamp	1,076	-	1,076
AS Mietas	1,930	-	1,930
MJ Chadow	484	-	484
Rvd Merwe Geel	3,155	-	3,155
	10,318	**-**	**10,318**

Deviation from supply chain management regulations

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

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

Incident		
Sole suppliers	1,163,545	781,622
Emergency	291,932	1,658,794
Impractical	2,062,708	775,011
	3,518,185	**3,215,427**

Figures in Rand	2023	2022

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

Awards to close family members of persons in the service of the state

R&S Karoo (Pty) Ltd	265,879	14,857
Soek `n slapie guesthouse	49,150	43,050
Manna Restuarant	10,995	14,046
	326,024	**71,953**

Mr. S. J van Schalkwyk, Budget and Treasury Officer of the municipality`s spouse is the director of R&S Karoo (Pty) Ltd, Soek `n Slapie
guesthouse and Manna Restaurant.

51. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of governance and administration, technical and community services. The segments were organised around the type of service delivered and the target market. Management uses these 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 municipality operates in the Namakwa district in the following towns Williston, Fraserburg and Sutherland. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the towns were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Executive and Council	Governance and Administration
Directorate Corporate Services	Governance and Administration
Directorate Financial Services	Governance and Administration
Directorate Infrastructure Services	Technical Services
Community and Social Services	Community Services

Segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

2023

	Directorate Financial Services	Directorate Infrastructure Services	Executive and Council	Community and Social Services	Total
Revenue					
Revenue from exchange transactions	397,055	21,645,108	150,726	13,523	22,206,412
Revenue from exchange transactions - interest	942,389	3,527,217	57,553	-	4,527,159
Revenue from non-exchange transactions	9,656,100	24,156,146	30,429,000	1,353,404	65,594,650
Revenue from non-exchange transactions - interest	807,366	-	-	-	807,366
Total segment revenue	**11,802,910**	**49,328,471**	**30,637,279**	**1,366,927**	**93,135,587**
Entity's revenue					**93,135,587**
Expenditure					
Employee related cost	8,945,750	10,520,596	4,606,630	1,680,195	25,753,171
Councillors remuneration	-	-	4,782,517	-	4,782,517
Debt impairment	-	(9,803,314)	-	-	(9,803,314)
Depreciation and amortisation	(588,875)	12,178,527	-	-	11,589,652
Finance cost	4,134,905	82,797	-	-	4,217,702
Bad debts written off	21,461,400	-	-	-	21,461,400
Bulk purchases	-	10,252,583	-	-	10,252,583
Contracted Services	48,884	1,149,412	-	193,768	1,392,064
Water inventory consumed	-	1,688,537	-	-	1,688,537
Transfers to households	2,527,430	-	-	-	2,527,430
Operating cost	8,178,811	2,608,076	2,520,894	271,975	13,579,756
Total segment expenditure	**44,708,305**	**28,677,214**	**11,910,041**	**2,145,938**	**87,441,498**
Total segmental surplus					**5,694,089**
(Loss) on derecognition of assets					(321,605)
Actuarial gains					725,425
Impairment loss					(138,619)
Entity's surplus for the period					**5,959,290**

52. Segment information (continued)

2022

	Directorate Corporate Services	Directorate Financial Services	Directorate Infrastructure Services	Executive and Council	Community and Social Services	Total
Revenue						
Revenue from exchange transactions	1,580	968,078	21,582,892	347,900	27,644	22,928,094
Revenue from exchange transactions - interest	-	59,324	2,810,416	37,672	-	2,907,412
Revenue from non-exchange transactions	1,500,999	12,676,918	44,468,449	2,437,055	37,706	61,121,127
Revenue from non-exchange transactions - interest	-	602,532	-	-	-	602,532
Total segment revenue	**1,502,579**	**14,306,852**	**68,861,757**	**2,822,627**	**65,350**	**87,559,165**
Entity's revenue						**87,559,165**
Expenditure						
Employee related cost	997,435	8,711,609	11,104,888	5,433,719	615,280	26,862,931
Councillors remuneration	-	-	-	3,812,861	-	3,812,861
Debt impairment	-	1,413,404	4,842,968	-	-	6,256,372
Depreciation and amortisation	-	536,731	9,349,250	498,532	319,484	10,703,997
Finance cost	-	448,385	3,282,450	-	-	3,730,835
Bad debts written off	-	783,207	-	-	-	783,207
Bulk purchases	-	-	11,008,067	-	-	11,008,067
Contracted Services	50,889	34,272	816,062	-	33,757	934,980
Water inventory consumed	-	-	1,637,775	-	-	1,637,775
Operating cost	227,868	8,140,195	2,090,521	2,554,010	70,582	13,083,176
Total segment expenditure	**1,276,192**	**20,067,803**	**44,131,981**	**12,299,122**	**1,039,103**	**78,814,201**
Total segmental surplus						**8,744,964**
(Loss) on derecognition of assets						(1,643)
Actuarial gains						392,521
Entity's surplus for the period						**9,135,842**

Measurement of segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences (continued)

Statement of Financial Position

1. Cash and cash equivalents

An unspent conditional grant was incurred, which was not budgeted for.

2. Consumer debtors

Debts written off at the end of the year was not budgeted for.

3. Inventory

Consumables received from projects not budgeted for.

4. Investment property

Depreciation over-estimated during budget process

5. Long-term receivables

Incorrectly budgeted for.

6. Consumer deposits

Possible increases in property transfers, resulting in increases in consumer deposits.

7. Trade and other payables

Increase in unspent grants.

8. Provisions current and non-current

No material difference. Incorrect short-term portion budgeted for.

9. Borrowings

Previous lease contracts ended during the year.

Statement of Financial Performance

10. Service charges

Load-shedding has a material impact on the electricity service charges billable.

11. Rental of facilities

Budget inaccurately estimated rental income.

12. Interest received trading

Credit control not effective.

13. Agency services

Unforeseen income

14. Other income

Overestimation during budget process

53. Budget differences (continued)

15. Interest received on investments

Income under-estimated during budget

16. Property rates

Supplementary valuations resulted in significant decreases in valuations.

17. Government grants

Unspent grant not budgeted for.

18. Public contributions and donations

Unforeseen income Sewer Truck donated.

19. Fines

Trivial amount

20. Depreciation

Completed projects resulted in increased depreciation expense.

21. Finance costs

Actuarial interest and landfill interest not budgeted for.

22. Debt impairment

Large number of write-offs at end of the year.

23. Bulk purchases

Load-shedding results in decreased demand

24. Contracted services

Osterity measures

25. Water inventory consumed

Trivial difference.

26. General expenses

Osterity measures

27. Other gains and losses

Not budgeted for

Cash flow Statement

28. Sale of goods and rendering of services

Credit control not as effective as it could be. Loadshedding also plays a role in billable revenue.

29. *Interest income*

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences (continued)

Credit control not as effective as it could be.

30*. Suppliers and employees*

Vacant CFO and Municipal manager position for a big part of the year.

31. Finance costs

Balances due to suppliers decreasing, resulting in lower finance costs

32. Transfers and grants

Capital project - Sewage Reticulation for 127 Stands in Williston expenditure was transferred to the community, which was not budgeted for

33. Purchase of Property, plant and equipment

Unspent conditional grants.

Changes from the approved budget to the final budget

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences (continued)

Statement of Financial Position

34. *Cash and cash equivalents*

Adjustments are based on 6 month projections

35. *Other debtors*

Adjustment to include VAT on additional project expenditure.

Statement of Financial Performance

36. Interest received (trading)

Adjustments are based on 6 month projections

37. Other income

Adjustments are based on 6 month projections

38. Fines and penalties

Trivial amount

39. *Finance costs*

Adjustments are based on 6 month projections

40. Debt impairment

Budgeted for additional write-offs

41. Water inventory consumed

Adjustments are based on 6 month projections

42. Contracted services

Reallocation of expenditure

43. General expenses

Reallocation of expenditure

Cashflow Statement

44. *Sale of goods and rendering of services*

Adjustments are based on 6 month projections

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Statutory Receivables

Figures in Rand		
VAT Receivable	1,624,592	1,627,032
Rates	10,687,687	11,935,972
Total Statutory Receivables	12,312,279	13,563,004
Less: Provision for Debt impairment	(5,759,536)	(8,565,421)
	6,552,743	**4,997,583**

Property Rates: Ageing		
Current (0 - 30 days)	855,162	573,636
31 - 60 days	3,487,582	294,010
61 - 90 days	223,318	254,347
91 - 120 days	217,668	238,891
+120 days	5,903,957	10,575,088
Less: Provision for impairment	(5,759,536)	(8,565,421)
	4,928,151	**3,370,551**

Reconciliation of Provision for Debt impairment		
Opening balance	(8,565,421)	(7,159,485)
Provision for impairment	2,805,886	(1,405,936)
	(5,759,535)	**(8,565,421)**