



Thembelihle Local Municipality
(Registration Number NC076)
Annual Financial Statements
for the year ended 30 June 2023

Thembelihle Local Municipality

(Registration Number NC076)

Annual Financial Statements for the year ended 30 June 2023

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Thembelihle Local Municipality

(Registration Number NC076)

Annual Financial Statements for the year ended 30 June 2023

General Information

Grading of Municipality	South Africa
Registration Number	NC076
Nature of Business and Principal Activities	Provision of municipal services in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Municipal Systems Act, 2000 (Act No. 32 of 2000)
Members	
Mayor	L Makenna
Speaker	D Jonas
Acting Speaker	J Mkosana
Chief whip of council	E Stenekamp / Van Niekerk
MPAC Chairperson	R Jansen
Technical Committee Chairperson	V S Dolopi
Corporate Services Chairperson	B Mpamba PP Van Niekerk TE Dienna T Yola F Mans
Business Address	Municipal Offices Church Street Hopetown 8750
Postal Address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank of South Africa
Auditors	Office of the Auditor-General (Northern Cape)
Municipal Manager	Advocate L. Ngoqo
Acting Municipal Manager	Dr S Marufu
Acting Municipal Manager	Mr K P Leserwane
Chief Financial Officer	Mr R J Shuping (on Precautionary Leave)
Acting Chief Financial Officer	Mr M Dyushu
Acting Chief Financial Officer	Mrs N Jaxa

Report of the Accounting Officer

Accounting Officer 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.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 114, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these annual financial statements 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 Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Mr K.P Leserwane
Acting Municipal Manager

30 November 2023.

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Financial Statements for the year ended 30 June 2023

Statement of Financial Position

Figures in R	Notes	2023	Restated 2022
Assets			
Current assets			
Inventories	3	13,051	12,991
Value Added Tax Receivable	4	12,744,467	8,528,493
Receivables from non-exchange transactions	5	1,283,031	13,103,739
Receivables from exchange transactions	6	4,695,484	14,122,144
Cash and cash equivalents	7	4,278,293	656,003
Total current assets		23,014,326	36,423,370
Non-current assets			
Property, plant and equipment	8	251,250,247	249,997,434
Investment property	9	22,038,082	20,997,379
Intangible assets	10	67,382	101,073
Total non-current assets		273,355,711	271,095,886
Total assets		296,370,037	307,519,256
Liabilities			
Current liabilities			
Provisions for Landfill	11	1,658,627	-
Other financial liabilities	15	2,045,119	2,048,653
Consumer deposits	13	764,928	745,673
Payables from exchange transactions	14	183,545,571	158,030,320
Employee benefit obligation	16	552,424	287,000
Unspent conditional grants and receipts	17	2,402,851	638,304
Total current liabilities		190,969,520	161,749,950
Non-current liabilities			
Provisions for Landfill	11	11,484,218	16,223,431
Other Financial Liabilities	15	2,311,394	1,660,230
Finance Lease Obligation	12	1,359,890	817,192
Employee benefit obligation	16	6,485,514	7,846,000
Total non-current liabilities		21,641,016	26,546,853
Total liabilities		212,610,536	188,296,803
Total net assets and liabilities		208,638,558	307,519,256
Net Assets		83,759,501	119,222,453
(Accumulated deficit) / accumulated surplus		(3,971,978)	119,222,453

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Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in R	Notes	2023	Restated 2022
Revenue from exchange transactions			
Service charges	18	24,370,870	18,962,259
Sale of goods and rendering of services	19	168,853	135,073
Rental from fixed assets	20	480,495	413,358
Interest Earned - Exchange Transactions	21	5,890,941	4,936,158
Commission received	31	605,590	976,333
Operational Revenue	22	988,033	2,117,007
Total revenue from exchange transactions		32,504,782	27,540,188
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	15,757,940	15,781,414
		15,757,940	15,781,414
Transfer Revenue			
Government grants and subsidies	24	58,649,067	46,804,795
		58,649,067	46,804,795
Other Revenue			
Fines, Penalties and Forfeits		37,918	24,000
Licences and Permits	25	140,098	147,728
Donation in kind	36	5,059,078	-
		5,237,094	171,728
Total revenue from non-exchange transactions		79,644,101	62,757,937
Total revenue		112,148,883	90,298,125
Expenditure			
Audit Fees	32	(3,673,915)	(3,431,873)
Professional and consulting fees	33	(12,639,285)	(8,189,151)
Employee related costs	26	(35,773,373)	(33,219,569)
Remuneration of councillors	27	(4,736,628)	(4,408,825)
Depreciation and amortisation	28	(19,372,485)	(15,200,470)
Finance cost	34	(10,305,350)	(7,166,872)
Bulk purchases	29	(14,482,502)	(14,524,998)
Inventory consumed	3	(649,611)	(733,791)
Operational cost	30	(8,323,258)	(8,494,039)
Provision for impairments adjustment		(124,303,535)	-
Repairs and maintenance	35	(1,420,178)	(1,287,291)
Total Expenditure		(235,750,111)	(96,656,879)
Gain or (Loss) on disposal of assets		(642,633)	(208,621)
Fair Value Adjustments		1,049,430	4,236
Deficit for the year		(123,124,440)	(6,563,139)

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Statement of Changes in Net Assets

Figures in R	(Accumulated deficit) / accumulated surplus	Total
Balance at 1 July 2021 as previously reported	132,083,748	132,083,748
Effects of prior period errors	(6,298,156)	(6,298,156)
Balance at 1 July 2021 as restated	<u>125,785,592</u>	<u>125,785,592</u>
Changes in net assets		
Deficit for the year	(6,563,139)	(6,563,139)
Balance at 30 June 2022 as restated	<u>119,222,453</u>	<u>119,222,453</u>
Balance at 1 July 2022 as previously reported	139,114,642	139,114,642
Effects of prior period errors - Refer to Note 49	(19,892,189)	(19,892,189)
Balance at 1 July 2022 as restated	<u>119,222,453</u>	<u>119,222,453</u>
Changes in net assets		
Deficit for the year	(123,194,431)	(123,194,431)
Balance at 30 June 2023 as restated	<u>(3,971,978)</u>	<u>(3,971,978)</u>

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Statement of Cash Flows

Figures in R	2023	Restated 2022
Cash flows from operations		
Gross cash receipts		
Receipts		
Property rates	15,757,940	15,781,414
Service charges	24,370,870	18,962,259
Other revenue	5,237,094	171,728
Transfers and Subsidies - Operational	39,632,700	32,699,495
Transfers and Subsidies - Capital	18,731,189	14,105,299
Interest	5,890,941	4,889,197
Receipts from commission received	3,835,908	3,293,863
Receipts from operational revenue	1,133,314	2,698,076
Receipts from interest, dividend and rent on land	480,495	413,358
Net cash flows from operations	193,761,891	155,624,898
Cash flows from / (used in) investing activities		
Employee benefit Obligations	1,810,483	(11,909,517)
Proceeds from sales of other non-financial asset 1	1,136,436	(1,670,754)
Cash flows from / (used in) investing activities	2,946,919	(13,580,271)
Cash flows from financing activities		
Proceeds from other financial liabilities	647,630	-
Cash flows from financing activities	647,630	-
Net increase in cash and cash equivalents	197,356,440	142,044,627
Cash and cash equivalents at beginning of the year	656,003	621,133
Cash and cash equivalents at end of the year	198,012,443	142,665,760

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Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Statement of financial performance

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue						
Property rates	12,620,515	2,737,907	15,358,422	15,757,940	(399,518)	
Service charges - electricity revenue	20,588,414	(7,788,018)	12,800,396	13,841,948	(1,041,552)	
Service charges - water revenue	5,963,447	-	5,963,447	4,506,199	1,457,248	
Service charges - sanitation revenue	4,325,468	-	4,325,468	3,896,130	429,338	
Service charges - refuse revenue	2,229,943	-	2,229,943	2,126,593	103,350	
Rental of facilities and equipment	621,378	-	621,378	480,495	140,883	
Interest earned - external investments	2,549,357	(2,337,288)	212,069	-	212,069	
Interest earned - outstanding debtors	1,583,823	3,545,006	5,128,829	5,890,941	(762,112)	
Fines, penalties and forfeits	327,906	(258,491)	69,415	37,918	31,497	
Licences and permits	320,723	(100,000)	220,723	140,098	80,625	
Agency services	1,277,017	3,851,812	5,128,829	605,590	4,523,239	
Transfers and subsidies	39,632,702	-	39,632,702	39,917,878	(285,176)	
Other revenue	4,845,813	3,149,124	7,994,937	1,156,886	6,838,051	
Donation in kind (National Treasury)	-	-	-	5,059,078	(5,059,078)	
Total Revenue (excluding capital transfers and contributions)	96,886,506	2,800,052	99,686,558	93,417,694	6,268,864	

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Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Employee related costs	39,032,669	-	39,032,669	35,773,373	3,259,296	
Remuneration of councillors	4,248,093	-	4,248,093	4,736,628	(488,535)	
Debt impairment	574,067	-	574,067	124,303,535	(123,729,468)	
Depreciation & asset impairment	10,123,686	6,000,000	16,123,686	19,372,485	(3,248,799)	
Finance charges	2,059,253	2,000,000	4,059,253	10,305,350	(6,246,097)	
Bulk purchases-electricity	12,067,172	2,000,000	14,067,172	14,482,502	(415,330)	
Inventory consumed	3,351,233	(309,827)	3,041,406	649,611	2,391,795	
Contracted services	4,665,498	1,512,585	6,178,083	14,059,463	(7,881,380)	
Transfers and subsidies	11,368	-	11,368	-	11,368	
Other expenditure	13,420,966	2,753,301	16,174,267	11,997,173	4,177,094	
Losses	-	-	-	-	-	
Total Expenditure	89,554,005	13,956,059	103,510,064	235,680,120	(132,170,056)	
Surplus / (deficit) for the year	7,332,501	(11,156,007)	(3,823,506)	(142,262,426)	138,438,920	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	20,627,300	-	20,627,300	18,731,189	1,896,111	
Surplus / (deficit) for the year	27,959,801	(11,156,007)	16,803,794	(123,531,237)	140,335,031	

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Statement of Comparison of Budget and Actual Amounts

Statement of Financial Position

		Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Assets						
Current assets						
Cash		6,010,805	(5,499,100)	511,705	4,278,293	(3,766,588)
Call investment deposits		(12)	-	(12)	-	(12)
VAT		-	-	-	12,744,467	(12,744,467)
Other debtors	6	3,753,637	22,604,433	26,358,070	5,978,515	20,379,555
Inventory	3	2,220	10,771	12,991	13,051	(60)
Total current assets		9,766,650	17,116,104	26,882,754	23,014,326	3,868,428
Non-current assets						
Investment property	8	20,995,599	293,497	21,289,096	22,038,082	(748,986)
Property, plant and equipment	10	258,711,064	36,164,891	294,875,955	251,250,247	43,625,708
Intangible		32,667	(12,739)	19,928	67,382	(47,454)
Other non-current assets		-	69,322,171	69,322,171	-	69,322,171
Total non-current assets		279,739,330	105,767,820	385,507,150	273,355,711	112,151,439
		-	-	-	-	-
Total assets		289,505,980	122,883,924	412,389,904	296,370,037	116,019,867

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Statement of Comparison of Budget and Actual Amounts

		Approved budget	Adjustments	Final budget	Actual amount on comparable basis	Difference between final budget and actual
Liabilities						
Current liabilities						
Provision for landfill					1,658,627	
Borrowing	13	1,430,824	(3,539)	1,427,285	-	1,427,285
Consumer deposits		709,764	36,254	746,018	764,928	(18,910)
Trade and other payables		170,015,457	(46,231,135)	123,784,322	185,948,422	(62,164,100)
Provisions		12,469,260	4,176,171	16,645,431	552,424	16,093,007
				-		-
Total current liabilities		184,625,305	(42,022,249)	142,603,056	188,924,401	(44,662,718)
Non-current liabilities						
Borrowing		2,305,843	65,122	2,370,965	2,045,119	325,846
Provisions		7,155,000	16,556,000	23,711,000	17,969,732	5,741,268
Total non-current liabilities		9,460,843	16,621,122	26,081,965	20,014,851	6,067,114
		-	-	-	-	-
Total liabilities		194,086,148	(25,401,127)	168,685,021	208,939,252	(40,254,231)
Net assets		95,419,832	148,285,051	243,704,883	87,430,785	156,274,098
		-	-	-	-	-
(Accumulated deficit) / accumulated surplus		95,419,832	148,285,051	243,704,883	(3,971,979)	247,676,862
Total net assets		95,419,832	148,285,051	243,704,883	(3,971,979)	247,676,862

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Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Cashflow statement					
Receipts					
Property rates	9,557,100	(5,499,100)	4,058,000	15,757,940	(11,699,940)
Service charges	25,775,232	(7,569,655)	18,205,577	24,370,870	(6,165,293)
Other revenue	-	9,115,848	9,115,848	7,480,065	1,635,783
Transfers and Subsidies - Operational	39,632,700	-	39,632,700	39,917,878	(285,178)
Transfers and Subsidies - Capital	20,627,303	-	20,627,303	18,731,189	1,896,114
Interest	4,133,000	-	4,133,000	5,890,941	(1,757,941)
Dividends	-	-	-	-	-
	99,725,335	(3,952,907)	95,772,428	112,148,883	(16,376,455)
Payments					
Suppliers and employees	(74,152,537)		(74,152,537)		
Finance charges	(2,059,258)	-	(2,059,258)	-	(2,059,258)
Transfers and Grants	(1,584,000)	1,569,400	(14,600)	-	(14,600)
	(77,795,795)	1,569,400	(76,226,395)	-	(2,073,858)
Net cashflow from operations	21,929,540	(2,383,507)	19,546,033	112,148,883	(18,450,313)
Cash flows from / (used in) investing activities					
Decrease (increase) in non-current receivables	1		1		
Decrease (increase) in non-current investments	68,554	-	68,554	-	68,554
Capital assets	(20,627,303)	-	(20,627,303)	-	
Cash flows from / (used in) investing activities	(20,558,748)	-	(20,558,748)	-	68,554
Cash flows from financing activities					
Increase (decrease) in consumer deposit	709,763	36,254	746,017	-	
Repayment of borrowing	(1,435,021)	-	(1,435,021)	-	(1,435,021)
Cash flows from financing activities	(725,258)	36,254	(689,004)	-	(1,435,021)

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Statement of Comparison of Budget and Actual Amounts

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

645,534	(2,347,253)	(1,701,719)	112,148,883	(19,816,780)
5,502,245	-	5,502,245	656,003	4,846,242
6,147,779	(2,347,253)	3,800,526	198,012,443	(14,970,538)

Thembelihle Local Municipality

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Financial Statements for the year ended 30 June 2023

Accounting Policies

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 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.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.3 Going concern assumptions

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

1.4 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:

Trade receivables

- 1.5 The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

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 12 - Provisions.

1.6 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.

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Accounting Policies

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.7 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.

Effective interest rate

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

Cash and cash equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

1.8

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:

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

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

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

1.9 Fair value

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

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

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Accounting Policies

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.10

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

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

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

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

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

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

- 1.11** The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.5 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 year.

1.12

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

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

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

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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 by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

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

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

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

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

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

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

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

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

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

Land and Buildings	Years
Land	Indefinite
Buildings	10 - 30 years

Infrastructure

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Roads and Streets	5 - 80 years
Storm Water	5 - 80 years
Electricity	10 - 60 years
Water	10 - 100 years
Sanitation	10 - 60 years
Waste Management	10 - 60 years
Other	30 years

Community

Recreation Facilities	30 years
Community Facilities	15 - 30 years

Finance lease assets

Office equipment	5 - 15 years
Motor Vehicles	5 - 15 years
Furniture and other Office equipment	5 - 15 years
Furniture and fittings	5 - 15 years
Plant and Equipment	5 - 15 years
Computer equipment	5 - 10 years

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

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

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

1.13.1 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.

1.13.2 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.

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

1.14.1 The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

1.6 Site restoration and dismantling cost (Landfill sites)

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

If the related asset is measured using the cost model:

(a) subject to changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

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

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.

1.14.2 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

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- 1.14.3** • the cost or fair value of the asset can be measured reliably.

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.

- 1.14.4** • **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.

1.14.5

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

1.15. Computer software, other

5 Years

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

Intangible assets are derecognised:

- on disposal; or

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- 1.15.2** • when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an 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).

1.15.3 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.7 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.

- 1.15.4** 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.

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

- 1.15.5** 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.

1.16

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, the 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).

1.16.1

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.

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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

- 1.16.2** exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

- 1.16.3** 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.

- 1.16.4** 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.

- 1.16.5** 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.

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

- 1.17.1** 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.

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

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

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

1.17.2

Class	Category
Other financial liabilities	
Financial asset measured at amortised cost	
Finance lease obligation	
Financial asset measured at amortised cost	
Payables from exchange transactions	
Financial asset measured at amortised cost	

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

1.18

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

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

1.19 Gains and losses

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

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

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1.19

Impairment and uncollectibility of financial assets

1.19.1

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

Financial assets measured at amortised cost:

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

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

1.19.2

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

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

1.20

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.

1.10 Unspent conditional grants

1.20.1

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

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1.20.2

1.11 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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised

1.20 Accrued interest

1.20.3

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.

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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 are recognised in surplus or deficit.

1.20.4

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

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

1.21

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

1.21.1

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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- 1.21.2** • 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.

1.21. 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 municipality assesses the classification of each element separately.

1.21.3

1.22. 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 interest rate on the remaining balance of the liability.

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

1.23. Operating leases - lessor

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

- 1.22** 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.

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

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

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.24. Operating leases - lessee

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

1.25. Inventories

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

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

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

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

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

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

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

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

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

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.

1.22.2 Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 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.

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS *continued...*

Recoverable amount of an asset or a cash-generating unit is the higher of 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.

1.16 Employee benefits

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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 deficits.

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 45.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

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Accounting Policies

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

If the related asset is measured using the revaluation model:

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

1.18 Commitments

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

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-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

1.23 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.

1.24 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.

1.25 Measurement

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

1.26 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

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

1.27

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

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

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.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS *continued...*

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.

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.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.21 Borrowing costs

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

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

Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Segment information

A segment is an activity of an entity:

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

- 1.30** • for which separate financial information is available.

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

Measurement

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

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

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

1.27 Budget information

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

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 7/1/2022 to 6/30/2023.

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.

1.28 Related parties

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

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

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

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

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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.

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ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS continued...

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

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

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

1.29 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

1.3 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

2 New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

IGRAP 20 Accounting for Adjustments to Revenue	1-Apr-20	Unlikely there will be a material impact
GRAP 18: Segment Reporting	1-Apr-20	Not expected to impact results but may result in additional disclosure

2.

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, 2022 or later periods:

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Guideline on Accounting for Landfill Sites	To be determined	Unlikely there will be a material impact
The Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
3. Inventories		
Inventories comprise:		
Consumable stores	11,254	11,254
Water	1,797	1,737
	<u>13,051</u>	<u>12,991</u>

No inventories were pledged as security for liabilities.

4. Value Added Tax

Value Added Tax comprise the following balances

Output Tax	(9,338,487)	(6,165,481)
	<u>(9,338,487)</u>	<u>(6,165,481)</u>
Input Tax	22,082,954	14,693,974
	<u>22,082,954</u>	<u>14,693,974</u>
Net VAT (Payable)/Receivable	<u>12,744,467</u>	<u>8,528,493</u>

5. Receivables from non-exchange transactions

Net receivables from non-exchange transactions comprise:

Property - Rates	1,114,247	699,358
Fines	168,784	168,791
	<u>1,283,031</u>	<u>868,149</u>
Total Receivables from non-exchange transactions	<u>1,283,031</u>	<u>868,149</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 1

Ageing

(Rates): Ageing

Current (0 - 30 days)	2,732,867	1,493,382
31 - 60 Days	2,317,555	2,422,021
61 - 90 Days	1,124,737	1,057,665
+ 90 Days	27,788,977	17,673,358
Total	<u>33,964,135</u>	<u>22,646,425</u>

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
6. Receivables from exchange transactions		
Net receivables from exchange transactions comprise:		
Electricity	2,235,987	2,054,814
Water	669,653	5,160,047
Property Rentals	15,541	24,168
Waste Management	310,512	2,380,475
Waste Water Management	541,286	3,808,944
Other Arrears	172,665	159,249
Other Receivable from Exchange	749,840	20,568
Net: Receivables from exchange transactions	4,695,484	13,608,265
Gross Balances		
Property Rates	33,977,976	22,646,425
Electricity	11,007,453	9,762,964
Water	35,443,782	29,771,578
Property Rentals	1,990,426	1,912,715
Waste Management	15,717,391	12,966,724
Waste Water Management	26,786,240	22,089,042
Other Arrears	4,440,158	5,684,461
	129,363,426	104,833,909
Less: Allowance for Impairment		
Property Rates	32,863,731	21,947,067
Electricity	8,771,465	7,892,662
Water	34,774,128	29,414,145
Property Rentals	1,974,886	1,888,547
Waste Management	15,406,878	12,827,082
Waste Water Management	26,244,954	21,830,385
Other Arrears	4,267,493	5,524,856
	124,303,535	101,324,743

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

Ageing

(Electricity): Ageing

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
Receivables from exchange transactions continued...		
Current (0 - 30 days)	1,533,686	1,153,028
31 - 60 Days	876,439	622,757
61 - 90 Days	264,112	228,812
+ 90 Days	8,333,215	7,758,368
Total	11,007,453	9,762,964
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1,117,688	532,827
31 - 60 Days	1,025,058	899,988
61 - 90 Days	520,310	463,986
+ 90 Days	32,780,726	27,517,344
Total	35,443,782	29,414,145
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	32,407	28,625
31 - 60 Days	16,597	44,503
61 - 90 Days	7,850	7,799
+ 90 Days	1,933,572	1,831,789
Total	1,990,426	1,912,715
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	530,274	279,336
31 - 60 Days	494,992	404,458
61 - 90 Days	244,537	195,983
+ 90 Days	14,447,588	12,086,948
Total	15,717,391	12,966,724
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	948,813	506,761
31 - 60 Days	861,471	703,409
61 - 90 Days	424,463	335,328
+ 90 Days	24,551,492	20,543,544
Total	26,786,240	22,089,042
<u>(Other): Ageing</u>		
Current (0 - 30 days)	20,335	39,526
31 - 60 Days	34,343	78,881
61 - 90 Days	33,494	39,343
+ 90 Days	4,351,986	5,526,712
Total	4,440,158	5,684,461

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
7. Cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash		
Cash on hand	83	83
Balances with banks	317,878	59,484
Total cash	317,961	59,567
Cash equivalents		
Short term investments	3,960,311	596,436
Total cash equivalents	3,960,311	596,436
Total cash and cash equivalents included in current assets	4,278,272	656,003

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality has the following bank accounts:

Current Accounts

Standard Bank - Account Number 041-879-171	298,074	188,632
Standard Bank - Account Number 063-362-309	19,807	1,382
Standard Bank - Account Number 240-078-136	83	83
	317,964	190,097

Call Deposits and Investments

Standard Bank - Account Number 048-871-362 (Operational Grant)	5,856	367,928
Standard Bank - Account Number 048-873-772-001	1,000	3
Standard Bank - Account Number 048-871-524-001 (WSIG)	633,894	90,233
Standard Bank - Account Number 048-871-672-001 (MIG)	2,300,716	7,726
Standard Bank - Account Number 048-871-311-001 (INEP)	1,018,863	20
	-	-
	3,960,329	465,910

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R

Cash and cash equivalents continued...

Details of current accounts are as follow:

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
Primary bank accounts						
Standard Bank - Account Number 041-879-171	298,074	188,632	241,292	298,074	188,632	241,292
Standard Bank - Account Number 063-362-309	19,807	1,382	3,999	19,806	1,382	3,999
	317,881	190,014	245,291	317,880	190,014	245,291
Investments						
Standard Bank - Account Number 048-871-362 (Operational Grant)	5,855	367,928	-	5,855	367,928	-
Standard Bank - Account Number 048-873-772-001	1,000	3	1,000	1,000	3	1,000
Standard Bank - Account Number 048-871-524-001 (WSIG)	633,895	90,233	1,009	633,895	90,233	1,009
Standard Bank - Account Number 048-871-672-001 (MIG)	2,300,715	7,726	1,725	2,300,715	7,726	1,725
Standard Bank - Account Number 048-871-311-001 (INEP)	1,018,862	103	-	1,018,862	103	-
	3,960,328	465,989	3,734	3,960,328	465,993	3,734
	4,278,209	656,003	249,025	4,278,208	656,007	249,025

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R

8. Property, plant and equipment

	Cost / Valuation	2023 Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	2022 Accumulated depreciation and accumulated impairment	Carrying value
Land	1,656,571	-	1,656,571	1,647,844	-	1,647,844
Buildings	39,356,665	(31,796,895)	7,559,770	39,378,979	(30,277,095)	9,101,884
Infrastructure	366,704,425	(174,293,567)	192,410,858	329,581,986	(158,000,792)	171,581,194
Landfill Asset	11,105,031	(9,410,425)	1,694,606	14,127,901	(8,938,677)	5,189,224
Capital work in progress	45,517,783	-	45,517,783	59,432,128	-	59,432,128
Leased Assets	1,588,313	(968,218)	620,095	3,866,411	(2,986,732)	879,679
Other assets	6,076,757	(4,286,193)	1,790,564	6,254,442	(4,088,961)	2,165,481
	472,005,545	(220,755,298)	251,250,247	454,289,691	(204,292,257)	249,997,434

Thembelihle Local Municipality

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R

Property, plant and equipment continued...

Balances at year end and movements for the year

	Land	Buildings	Landfill Asset	Other assets	Infrastructure	Capital work in progress	Leased assets	Total
Reconciliation for the year ended 30 June 2023								
Balance at 1 July 2022								
At cost	1,647,844	39,378,979	14,127,901	6,254,442	329,581,986	59,432,128	3,866,411	454,289,691
Accumulated depreciation	-	(30,277,095)	(8,938,677)	(4,088,961)	(158,000,792)	-	(2,986,732)	(204,292,257)
Net book value	1,647,844	9,101,884	5,189,224	2,165,481	171,581,194	59,432,128	879,679	249,997,434
Movements for the year ended 30 June 2023								
Additions	8,727	-	-	37,372	8,633,060	17,162,352	542,698	26,384,209
Transfers	-	-	-	-	-	(8,633,060)	-	(8,633,060)
Depreciation	-	(863,129)	(471,748)	(352,916)	(9,760,527)	-	(331,719)	(11,780,038)
Impairment loss recognised in surplus or deficit	-	(670,660)	-	(21,112)	(6,914,492)	-	(13,900)	(7,620,164)
Disposals	-	(8,325)	-	(38,261)	(343,604)	-	(456,663)	(846,854)
Reclassification	-	-	-	-	-	-	-	-
Change in provision	-	-	(3,022,870)	-	-	-	-	(3,022,870)
Property, plant and equipment at end of year	1,656,571	7,559,770	1,694,606	1,790,564	163,195,630	67,961,420	620,095	244,478,657
Closing balance at 30 June 2023								
At cost	1,656,571	39,356,665	11,105,031	6,076,757	366,704,425	45,517,783	1,588,313	472,005,545
Accumulated depreciation	-	(31,796,895)	(9,410,425)	(4,286,193)	(174,293,567)	-	(968,218)	(220,755,298)
Net book value	1,656,571	7,559,770	1,694,606	1,790,564	192,410,858	45,517,783	620,095	251,250,247

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Notes to the Financial Statements

Figures in R

Property, plant and equipment continued...

Reconciliation for the year ended 30 June 2022

Balance at 1 July 2021

At cost	1,647,845	39,901,318	14,850,337	5,967,940	329,366,354	53,598,087	3,866,411	449,198,292
Accumulated depreciation	-	(29,474,312)	(7,141,635)	(3,728,325)	(147,165,286)	-	(2,412,458)	(189,922,015)
Net book value	1,647,845	10,427,006	7,708,702	2,239,616	182,201,068	53,598,087	1,453,953	259,276,277

Movements for the year ended 30 June 2022

Additions	-	-	-	365,922	335,073	11,843,241	-	12,544,236
Depreciation	-	(1,419,397)	(1,797,042)	(409,893)	(10,732,400)	-	(574,274)	(14,933,006)
Impairment loss recognised in surplus or deficit	-	(92,129)	-	(5,274)	(179,278)	-	-	(276,681)
Prior period adjustment	-	318,501	-	(4,693)	-	-	-	313,808
Disposals	-	(142,894)	-	(20,197)	(49,209)	(6,009,200)	-	(6,221,500)
Change in provision	-	-	(722,436)	-	-	-	-	(722,436)
Property, plant and equipment at end of year	1,647,845	9,091,087	5,189,224	2,165,481	171,575,254	59,432,128	879,679	249,980,698

Closing balance at 30 June 2022

At cost	1,647,844	39,378,979	14,127,901	6,254,442	329,581,986	59,432,128	3,866,411	454,289,691
Accumulated depreciation	-	(30,277,095)	(8,938,677)	(4,088,961)	(158,000,792)	-	(2,986,732)	(204,292,257)
Net book value	1,647,844	9,101,884	5,189,224	2,165,481	171,581,194	59,432,128	879,679	249,997,434

Thembelihle Local Municipality

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
9. Investment property		
Balances at year end and movements for the year		
Reconciliation for the year		
At cost	20,997,379	20,995,598
Movements for the year		
Fair Value Adjustments	1,049,430	4,235
Disposals	-	(2,454)
Reclassifications	(8,727)	-
Investment property at end of year	22,038,082	20,997,379
Closing balance at end of year		
At cost	22,038,082	20,997,379
Net book value	22,038,082	20,997,379
Revenue from Investment Property		
Revenue derived from the rental of Investment Property	-	-

There is no Investment Property which is in the process of being constructed or developed.

There is no Investment Property where construction or development has been halted.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Thembelihle Local Municipality

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
10. Intangible assets		
Reconciliation of changes in intangible assets		
	<u>Intangible assets</u>	<u>Total</u>
Reconciliation for the year ended 30 June 2023		
Balance at 1 July 2022		
At cost	448,689	448,689
Accumulated amortisation	(347,616)	(347,616)
Net book value	<u>101,073</u>	<u>101,073</u>
Movements for the year ended 30 June 2023		
Amortisation	(33,691)	(33,691)
Intangible assets at end of period	<u>67,382</u>	<u>67,382</u>
Closing balance at 30 June 2023		
At cost	434,097	434,097
Accumulated amortisation	(366,715)	(366,715)
Net book value	<u>67,382</u>	<u>67,382</u>
Reconciliation for the year ended 30 June 2022		
Balance at 1 July 2021		
At cost	448,688	448,688
Accumulated amortisation	(260,922)	(260,922)
Net book value	<u>187,766</u>	<u>187,766</u>
Movements for the year ended 30 June 2022		
Amortisation	(86,693)	(86,693)
Intangible assets at end of period	<u>101,073</u>	<u>101,073</u>
Closing balance at 30 June 2022		
At cost	448,689	448,689
Accumulated amortisation	(347,616)	(347,616)
Net book value	<u>101,073</u>	<u>101,073</u>

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
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11. Provisions for Landfill

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

Environmental rehabilitation	13,142,845	16,223,431
	13,142,845	16,223,431
Current	1,658,627	-
Non - Current	11,484,218	16,223,431
Total Provision	13,142,845	16,223,431

Reconciliation of provisions - 2023	Opening balance	Additions	Change in discount factor	Closing balance
Environmental rehabilitation	16,223,432	1,530,047	(4,610,633)	13,142,846
	16,223,432	1,530,047	(4,610,633)	13,142,846

Reconciliation of provisions - 2022	Opening balance	Additions	Change in discount factor	Closing balance
Environmental rehabilitation	15,804,993	1,140,875	(722,436)	16,223,432
	15,804,993	1,140,875	(722,436)	16,223,432

Environmental rehabilitation provision

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2023 was 12.62% p.a.. The consumer price inflation of 7.39% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2023.

Rehabilitation and closure report was compiled by One Pangaea Expertise & Solutions ('OPES) appointed by the Council.

Changes in the present value of provision for landfill rehabilitation are as follows:

Opening balance	16,223,432	15,804,993
Interest charge	1,530,047	1,140,875
Change in landfill closure provision	(4,610,633)	(722,436)
	13,142,846	16,223,432

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
<i>Provisions for Landfill continued...</i>		
Balance as previously reported		-
Prior period adjustments - Refer to note 49.		16,223,432
Restated balance		<u>16,223,432</u>

12. Other financial liabilities

Other financial liabilities comprise:

Finance lease	1,359,890	817,192
	<u>1,359,890</u>	<u>817,192</u>

The present value of finance lease liabilities is as follows:

Later than one year and not later than five years	1,359,890	817,192
	<u>1,359,890</u>	<u>817,192</u>

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
13. Consumer deposits		
Consumer deposits comprise:		
Electricity	713,793	706,425
Water	51,135	39,248
	<u>764,928</u>	<u>745,673</u>
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p>		
<p>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.</p>		
14. Payables from exchange transactions		
Payables from exchange transactions comprise:		
Trade Payables	176,680,231	140,944,688
Advance Payments	781,159	579,633
Accrued Leave Pay	3,085,845	2,883,656
Accrued bonus	1,061,049	656,903
Other payables	1,937,287	12,965,439
Total payables from exchange transactions	<u>183,545,571</u>	<u>158,030,319</u>
<p>Payables are being recognised net of any discounts.</p>		
<p>Payables are not being paid within 30 days as prescribed by the MFMA. This credit period granted is not 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.</p>		
<p>The carrying value of trade and other payables approximates its fair value.</p>		
<p>All payables are unsecured.</p>		
15. Other financial liabilities		
Non-current portion of other financial liabilities	2,311,394	1,660,230
Current portion of other financial liabilities	2,045,119	2,048,653
	<u>4,356,513</u>	<u>3,708,883</u>

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
16. Employee benefit obligation		
16.1 The total amounts recognised in the statement of financial position are as follows:		
Employee benefits	7,037,938	8,133,000
	7,037,938	8,133,000
Long service award	250,728	21,000
Post Retirement Health Care Benefits	-	-
Staff bonuses	1,061,049	656,903
Staff leave	3,085,845	2,883,656
	4,397,622	3,561,559
Non - Current		
Long service award	1,530,453	1,314,000
Post Retirement Health Care Benefits	4,606,074	6,033,000
	6,136,527	7,347,000
Current		
Long service award	158,877	417,000
Post Retirement Health Care Benefits	266,261	376,000
Staff bonuses	-	-
Staff leave	-	-
Shortfall in Cape joint pension fund	-	-
	425,138	793,000
Total employee benefits	6,561,665	8,140,000

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
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Employee benefit obligation continued...

16.1.1 Long Service Award

Reconciliation - 2023	Opening balance	Additions	Reductions	Closing balance
Long service awards	1,731,000	76,576	(118,246)	1,689,330
	1,731,000	76,576	(118,246)	1,689,330

Reconciliation - 2022	Opening balance	Additions	Reductions	Total
Long service awards	1,657,000	308,000	(234,000)	1,731,000
	1,657,000	308,000	(234,000)	1,731,000

Long Service Award

Employees qualify for the long service awards in terms of the SALGA collective agreement: The employees will qualify for long service award for every five years of service completed, from ten years of service to 45 years of services in the following manner:

Completed service (Years)	Long Service Bonus Awards (Number of Days)	Determination of cash bonus
- 10 year	10	3% x annual basic salary
- 15 years	10	4% x annual basic salary
- 20 years	15	5% x annual basic salary
- 25-45 years	15	6% x annual basic salary

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are valued at 1/250 of annual earnings per day.

An actuarial valuation of the obligation has been performed by One Pangaea Expertise and Solutions on all 81 employees that are entitled to long service awards as at 30 June 2023.

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

Long service awards

Opening balance	74,000	-
Net expense or (gain) recognised in the statement of financial performance	(41,670)	74,000
	32,330	74,000
Balance as previously reported		-
Prior period adjustments - Refer to note 49.		74,000
Restated balance		74,000

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
<i>Employee benefit obligation continued...</i>		
Current service cost	167,000	164,000
Interest cost	175,000	144,000
Expected benefit payments	(118,246)	(171,000)
Actuarial (gains) or losses	(265,424)	(63,000)
	(41,670)	74,000

Key assumptions used at the reporting date:

Average retirement age	62 years	62 years
Discount rates used	10.60%	11.33%
Expected increase in salaries	56.32%	7.33%

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
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Employee benefit obligation continued...

16.1.2 Post Retirement Health Care Benefits

Reconciliation - 2023	Opening balance	Additions	Reductions	Closing balance
Post Retirement Health Care Benefits	6,409,000	(1,315,724)	(220,941)	4,872,335
	6,409,000	(1,315,724)	(220,941)	4,872,335

Reconciliation - 2022	Opening balance	Additions	Reductions	Total
Post Retirement Health Care Benefits	5,927,000	802,000	(320,000)	6,409,000
	5,927,000	802,000	(320,000)	6,409,000

Post Retirement Health Care Benefits

The valuation of the Post Retirement Health Care Benefit considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy.

The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

An actuarial valuation of the obligation has been performed by One Pangaea Expertise & Solutions ('OPES'), on eligible members as at 30 June 2023.

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

Post Retirement Health Care Benefits

Opening balance	482,000	-
Net expense or (gain) recognised in the statement of financial performance	(1,536,665)	482,000
	(1,054,665)	482,000
Balance as previously reported		-
Prior period adjustments - Refer to note 49.		482,000
Restated balance		482,000

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

Current service cost	244,000	227,000
Interest cost	736,000	575,000
Benefit vesting	(220,941)	(258,000)
Actuarial (gains) or losses	(2,295,724)	(62,000)
	(1,536,665)	482,000

Key assumptions used at the reporting date:

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
Employee benefit obligation continued...		
Average retirement age	62 years	62 years
Discount rates used	12.78%	11.77%
Health care cost inflation rate	8.34%	8.40%
Maximum subsidy cap inflation	5.88%	5.93%
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprise the following balances		
National Government Grants	2,402,851	605,441
Provincial Government Grants	-	32,863
Other Sources	-	-
	2,402,851	638,304
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
18. Service Charges		
Electricity		
Service Charges	14,077,104	11,572,631
Less: Revenue forgone	(235,156)	(598,612)
	13,841,948	10,974,019
Water		
Service Charges	4,728,742	4,505,263
Less: Revenue forgone	(222,543)	(881,946)
	4,506,199	3,623,317
Waste Management		
Service Charges	2,374,322	1,756,355
Less: Revenue forgone	(247,729)	(111,210)
	2,126,593	1,645,145
Waste Water Management		
Service Charges	4,309,651	3,497,106
Less: Revenue forgone	(413,521)	(777,328)
	3,896,130	2,719,778
Total Service Charges	24,370,870	18,962,259

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

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Figures in R	2023	Restated 2022
19. Sale of goods and services		
Building Plan Approval	35,747	30,740
Camping Fees	829	3,532
Cemetery and Burial	10,395	14,684
Tender Documents	106,087	47,957
Photocopies and Faxes	262	1,153
Cleaning and removal	7,456	7,818
Stone and gravel	953	597
Advertisements	-	74
Valuation Services	7,124	28,518
Total Sales of Goods and Rendering of Services	168,853	135,073
20. Rental of facilities and equipment		
Venue hire	4,692	8,709
Premises	475,803	404,649
Total Rent on fixed assets	480,495	413,358
21. Interest earned - Exchange transactions		
Interest received- electricity	513,354	442,352
Interest received- waste management	1,011,638	890,302
Interest received- waste water management	1,713,262	1,471,513
Interest received- water management	2,356,292	2,085,030
Interest received- financial asset	296,395	46,961
	5,890,941	4,936,158
22. Operational revenue		
Administrative Handling Fees	577,460	2,182,064
Discounts on Early Settlements	(83,231)	(152,300)
Staff Recoveries	430,755	87,243
Land Interest	63,049	-
	988,033	2,117,007

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Figures in R	2023	Restated 2022
23. Property rates		
Business and Commercial Property	1,086,400	1,010,415
Formal and Informal	(616,530)	(397,173)
Public Benefit Organisations	149,992	476,308
Residential Properties	3,255,787	2,899,965
State-owned Properties	969,939	747,245
Agricultural Property	10,912,352	11,044,654
Total Property Rates	15,757,940	15,781,414
<u>Valuations</u>		
Rateable Land and Buildings		
Business and Commercial Property	76,299,000	72,564,112
Industrial Property	-	80,170,000
Church	15,797,000	12,658,985
Residential Properties	260,120,300	357,680,000
Government	53,175,000	102,342,000
Agricultural Property	3,280,925,000	3,257,108,000
Total Assessment Rates	3,783,852,300	3,882,523,097

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Figures in R

24. Government grants and subsidies

SETA allocation	691,462	-
Government Grants and Subsidies - Operating		
Equitable Share	34,049,416	28,135,000
Finance Management Grant (FMG)	3,100,000	2,999,999
Expanded Public Works Programme Integrated Grant (EPWP)	1,077,000	794,959
Libraries, Archives and Museums	1,000,000	769,537
	39,917,878	32,699,495

Included in the National revenue fund (equitable share) are transfers from unspent conditional grants.

Government Grants and Subsidies - Capital

Integrated National Electrification Programme Grant	862,538	-
Municipal Infrastructure Grant (MIG)	7,973,510	7,341,606
Water Sanitation Infrastructure Grant	9,895,141	6,763,693
	18,731,189	14,105,299

Total Government Grants and Subsidies

	58,649,067	46,804,794
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Included in above are the following grants and subsidies received:

Unconditional

Equitable Share	34,049,416	28,135,000
	34,049,416	28,135,000

Conditional

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Figures in R

Government grants and subsidies continued...

Finance Management Grant (FMG)	3,100,000	2,999,999
Expanded Public Works Programme Integrated Grant (EPWP)	1,077,000	794,959
Infrastructure Skills Development Grant	691,462	-
Libraries, Archives and Museums	1,000,000	769,537
Municipal Infrastructure Grant (MIG)	7,496,934	7,341,606
Water Sanitation Infrastructure Grant	9,895,141	6,763,693
	23,260,537	18,669,794
Total Government Grants and Subsidies	57,309,953	46,804,794

Municipal System Improvement Grant

Opening balance	-	2,175
Conditions still to be met	-	2,175

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).

Financial Management Grant

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R

Government grants and subsidies continued...

Opening balance	(1)	-
Grants received	3,100,000	3,000,000
Repaid to National Revenue Fund	(3,100,000)	(2,999,999)
Conditions still to be met	(1)	1

Intergrated National Electrification Programme

Opening balance	38	38
Grants received	(1,000,000)	-
Conditions met - Operating	862,538	-
Conditions still to be met	(137,424)	38

Libraries, Archives and Museums

Opening balance	(19,537)	-
Grants received	(1,000,000)	(750,000)
Repaid to National Revenue Fund	19,537	
Conditions met - Operating	1,000,000	769,537
Conditions still to be met	-	19,537

Municipal Infrastructure Grant (MIG)

Opening balance	(119,606)	(1,112,000)
Grants received	(10,134,000)	(7,222,000)
Repaid to National Revenue Fund	119,606	
Conditions met - Operating	7,973,509	8,453,606
Conditions still to be met	(2,160,491)	119,606

Water Sanitation Infrastructure Grant

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Notes to the Financial Statements

Figures in R

Government grants and subsidies continued...

Opening balance	(236,307)	-
Grants received	(10,000,000)	(7,000,000)
Repaid to National Revenue Fund	236,307	
Conditions met - Operating	9,895,141	6,763,693
Conditions still to be met	(104,859)	(236,307)

EPWP

Opening balance	(280,041)	-
Grants received	(1,077,000)	(1,075,000)
Conditions met - Operating	1,357,041	794,959
Conditions still to be met	-	(280,041)

Opening balance	(655,492)	(1,109,787)
Grants received	(9,977,000)	(5,825,000)
Interest received	(10,134,000)	-
Repaid to National Revenue Fund	(2,724,550)	(2,999,999)
Conditions met - Operating	21,088,228	16,781,795
Conditions still to be met	(2,402,814)	6,847,009

Unspent Conditional Government Grants and Receipts	(2,402,814)	6,847,009
Total	(2,402,814)	6,847,009

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Figures in R	2023	Restated 2022
25. Licences and permits		
Licences or permits (non-exchange)	140,098	147,728
Total Licences and Permits	140,098	147,728
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	140,098	147,728
	140,098	147,728

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Figures in R	2023	Restated 2022
26. Employee related cost		
Basic Salaries and Wages	26,434,365	23,851,257
Pension and UIF Contributions	3,329,737	3,060,451
Medical Aid Contributions	1,293,490	1,246,129
Overtime	1,391,760	1,455,929
Bonuses	1,237,015	1,404,229
Motor Vehicle Allowance	270,239	372,800
Cell Phone Allowance	190,050	191,750
Housing Allowances	24,093	27,098
Other benefits and allowances	431,258	410,680
Payments in lieu of leave	318,301	437,882
Post-retirement Benefit Obligations	352,075	588,399
Skills Development Fund Levy	500,990	172,965
	35,773,373	33,219,569

Key management personnel

Only Municipal Manager is appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to her at the end of the contract periods.

Remuneration of key management personnel

Remuneration of the Acting Municipal Manager - Mr K.P Leserwane

Annual Remuneration	404,598	-
Benefits and Allowances	69,284	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	473,882	-

Remuneration of the Municipal Manager - Mr L. Ngoqo

Annual Remuneration	314,357	-
Benefits and Allowances	195,811	-
Total	510,168	-

Remuneration of the Chief Finance Officer Mr R. Shuping

Annual Remuneration	695,063	637,141
Back Pay	-	2,717
Acting allowance	-	284,546
Benefits and Allowances	170,603	165,169
Contributions to UIF, Medical and Pension Funds	-	2,125
Total	865,666	1,091,698

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Figures in R	2023	Restated 2022
<i>Employee related cost continued...</i>		
Remuneration of Acting Chief Finance Officer Mr M. Dyushu		
Annual Remuneration	209,200	-
Leave Payot	52,164	-
Benefits and Allowances	21,607	-
Total	282,971	-
Remuneration of Acting Chief Finance Officer Mrs N. Jaxa		
Acting allowance	18,686	-
Total	18,686	-
Remuneration of Head: Technical Services - Dr S. Marufu		
Annual Remuneration	695,063	695,063
Back Pay	2,717	2,717
Acting allowance	25,002	26,193
Benefits and allowances	215,651	165,169
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Total	940,558	891,267
Remuneration of Corporate Services Director: Oliphant TR		
Annual Remuneration	-	695,063
Back Pay	-	2,717
Acting allowance	-	6,256
Benefits and allowances	-	165,169
Contributions to UIF, Medical and Pension Funds	-	2,125
Total	-	871,330

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
27. Remuneration of councillors		
L Makenna	920,649	569,475
D Jonas	714,440	521,430
J Mkosana	440,429	281,734
E Stenekamp / Van Niekerk	387,711	320,096
R Jansen	355,815	466,954
V S Dolopi	356,963	456,632
B Mpamba	357,740	756,156
PP Van Niekerk	299,491	246,548
TE Dienna	301,941	261,294
T Yola	299,491	257,598
F Mans	301,957	270,905
Total Councillors' Remuneration	4,736,628	4,408,825

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor- L. MAKENNA	806,066	-	114,583	-	920,649
Speaker-D. JONAS	644,853	-	69,587	-	714,440
Acting Speaker- J. MKOSANA	255,091	-	185,338	-	440,429
Chief Whip- E. STENEKAMP	337,261	-	50,450	-	387,711
MPAC Chairperson-R. JANSEN	300,149	-	55,667	-	355,816
Councillors	1,640,449	-	277,133	-	1,917,582
Total Councillors' Remuneration	3,983,869	-	752,759	-	4,736,628

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipal

28. Depreciation and amortisation

Property, Plant and Equipment	11,718,630	14,837,096
Impairment	7,620,164	276,681
Intangible Assets	33,691	86,693
Investment Property carried at cost		
Total Depreciation and Amortisation	19,372,485	15,200,470

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Figures in R	2023	Restated 2022
29. Bulk purchases		
Electricity	14,482,502	14,524,998
Total Bulk Purchases	14,482,502	14,524,998
30. Operational costs		
Achievements and Awards	6,414	4,940
Advertising, Publicity and Marketing	240,401	189,616
Assets less than the Capitalisation Threshold	2,790	2,893
Bank Charges, Facility and Card Fees	155,409	153,297
Commission	103,463	-
Courier and Delivery Services	(283,553)	353,035
Dumping fees	25,190	422
Entertainment	73,888	94,737
External Computer Service	179,928	210,490
Fines and penalties	59,914	-
Freight charges	81,066	80,130
Hire charges	-	112,957
Honoraria (Voluntarily Workers)	92,672	516,280
Indigent Relief	437,504	549,520
Insurance	439,047	844,183
Learnerships and Internships	382,014	-
Licences	72,353	247,308
Membership and subscription	524,742	509,639
Municipal Services	2,451,544	2,133,846
Operating Leases	25,651	-
Printing, Publications and Books	112,698	154,501
Registration Fees	42,500	57,064
Repayment of Forfeited Deposits	3,098	6,469
Samples and Specimens	125,136	136,874
Telephone and fax	742,368	539,194
Travel and Subsistence	437,127	698,012
Uniform and Protective Clothing	155,203	25,301
Ward Committees	284,500	103,955
Wet Fuel	804,528	612,354
Workmen`s Compensation Fund	163,568	137,081
Employee Social Benefits	382,095	19,941
	8,323,258	8,494,039
31. Commission Received		
Agency fees	460,309	395,264
Third Party	145,281	581,069
	605,590	976,333

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
32. Audit fees		
External Audit fees	3,673,915	3,431,873
	3,673,915	3,431,873
33. Professional and Consulting fees		
Management fee	4,222,481	-
Consulting fee	8,416,804	8,189,151
	12,639,285	8,189,151
34. Finance Cost		
Interest cost	10,305,350	7,166,872
	10,305,350	7,166,872
35. Repairs and Maintenance		
Repairs and maintenance	1,420,178	1,287,291
	1,420,178	1,287,291
36. Donations and assistance		
National Treasury	5,059,078	-
	5,059,078	-
37. Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	195,341,661	178,463,571
Restated opening balance	195,341,661	178,463,571
Unauthorised expenditure current year - operational	15,520,317	16,878,090
Unauthorised expenditure awaiting authorisation	210,861,978	195,341,661

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Figures in R	2023	Restated 2022
38. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	44,425,001	40,546,009
Restated opening balance	44,425,001	40,546,009
Fruitless and wasteful expenditure current year	8,028,092	3,878,992
Fruitless and wasteful expenditure awaiting condonement	52,453,093	44,425,001

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/ criminal proceedings		
<i>Auditor General Interest Paid</i>	None	769,060	455,521
<i>Compensation Fund</i>	None	106,124	-
<i>Department of Water and Sanitation</i>	None	363	51
<i>Eldocrete</i>	None	39,909	-
<i>Eskom Penalties and Interest Paid</i>	None	6,977,648	3,397,630
<i>Nashua</i>	None	22,113	23,120
<i>OOS VRYSTAAT KAAP BEDRYF</i>	None	2,189	-
<i>SEBATA MUNICIPAL SOLUTIONS</i>	None	56,181	1,000
<i>Telkom</i>	None	2,556	1,671
<i>Sars Penalties</i>	None	-	44,742
<i>Tlotlo plant hire</i>	None	52,180	-
		8,028,323	3,878,992

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
39. Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	185,837,493	178,463,571
Correction of prior period error	-	(693,976)
Restated opening balance	<u>185,837,493</u>	<u>177,769,595</u>
Irregular expenditure current year	5,635,730	8,067,898
Irregular expenditure awaiting further action	<u>191,473,222</u>	<u>185,837,493</u>

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/ criminal proceedings		
<i>Irregular expenditure Prior to 1 July 2022</i>	None	185,837,493	177,769,595
<i>Expenditure contrary to SCM processes - No bid price with tender</i>	None	-	2,058,246
<i>Non compliance with SCM regulations</i>	None	5,635,730	6,009,652
		<u>191,473,222</u>	<u>185,837,493</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

40. Additional disclosures in terms of Municipal Finance Management Act (MFMA)

40.1 Audit fees - [MFMA 125 (1)(c)]

Opening balance	7,944,496	4,512,623
Restated opening balance	<u>7,944,496</u>	<u>4,512,623</u>
Current year audit fee	4,533,042	3,431,873
Balance unpaid (included in creditors)	<u>12,477,538</u>	<u>7,944,496</u>

40.2 VAT - [MFMA 125 (1)(c)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS.

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
<i>Additional disclosures in terms of Municipal Finance Management Act (MFMA) continued...</i>		
40.3 PAYE and UIF - [MFMA 125 (1)(c)]		
Opening balance	1,276,427	1,276,427
Correction of prior period error	-	-
Restated opening balance	<u>1,276,427</u>	<u>1,276,427</u>
Amount paid - current year	-	5,143,897
Amount paid - previous year	-	(5,143,897)
Balance unpaid (included in creditors)	<u>1,276,427</u>	<u>1,276,427</u>

40.4 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

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

	Outstanding more than 90 days
L. Makenna	9,827
T. Yola	132,042
S V Dolopi	63,428
D Jonas	93,885
F Mans	3,377
J Mkosana	1,112
TOTAL	<u>303,671</u>

40.5 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

	Amount	Type of Deviation			
		Single Supplier	Impossible	Exceptional	Emergency
30 June 2023	537,128	19,688	-	437,725	79,715
	<u>537,128</u>	<u>19,688</u>	<u>-</u>	<u>437,725</u>	<u>79,715</u>
	Amount	Type of Deviation			
		Single Supplier	Impossible	Exceptional	Emergency
30 June 2022	885,953	8,625	-	666,343	210,985
	<u>885,953</u>	<u>8,625</u>	<u>-</u>	<u>666,343</u>	<u>210,985</u>

40.6 Broad-Based Black Economic Empowerment Act

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
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Additional disclosures in terms of Municipal Finance Management Act (MFMA) continued...

40.7 Material losses

Electricity distribution losses

Electricity units bought (kWh)	6,423,573	7,596,019
Electricity units sold (kWh)	(3,816,119)	(3,222,329)
Own Consumption	(172,964)	-
Electricity units lost	2,434,490	4,373,690
Average cost per unit	R2.43.	R2.43.
Distribution loss (Rand Value)	5,915,811	10,628,067
Percentage lost during distribution	38 %	58 %

Electricity losses are due to electricity theft on pre-paid meters and illegal connections.

Water distribution losses

Water units available for sale (kl)	1,981,004	2,013,302
Water units sold (kl)	(518,799)	(406,496)
Own Consumption (kl)	30,899	-
Water units lost (kl)	1,468,716	1,612,331
Percentage lost during distribution	74 %	80 %
Distribution loss (Rand Value)	12,954,075	14,220,759

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Notes to the Financial Statements

Figures in R	2023	Restated 2022
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41. Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

Price Risk

The municipality is not exposed to price risk.

Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1%(2022 : 1%) Increase in interest rates	-	-
1%(2022 : 1%) Decrease in interest rates	-	-

Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in R	2023	Restated 2022
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Financial Risk Management continued...

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 0 for balances included in receivables that were re-negotiated for the period under review.

	2023 %	2023 R	2023 %	2023 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	-	100.00%	-
<u>Non-exchange Receivables</u>				
Rates	100.00%	1,114,247	100.00%	699,358
Availability Charges	0.00%	-	0.00%	-
	100 %	1,114,247	100 %	699,358
<u>Exchange Receivables</u>				
Electricity	47.62%	2,235,987	15.10%	2,054,814
Water	14.26%	669,653	37.92%	5,160,047
Property Rentals	0.33%	15,541	0.18%	24,168
Waste Management	6.61%	310,512	17.49%	2,380,475
Waste Water Management	11.53%	541,286	27.99%	3,808,944
Housing Selling Scheme	3.68%	172,665	1.17%	159,249
Water and Sanitation Service Authority	0.00%	-	0.00%	-
Abeyance	15.97%	749,840	0.15%	20,568
Other Arrears	0.00%	-	0.00%	-
	100 %	4,695,484	100 %	13,608,265

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

Ageing of amounts past due but not impaired are as follow:	Exchange Receivables	Non-exchange Receivables
2023		
1 month past due	3,308,900	2,317,555
2+ months past due	87,893,345	28,913,714
	91,202,245	31,231,268
2022		
1 month past due	2,753,996	2,422,021
2+ months past due	76,535,954	18,731,023
	79,289,950	21,153,043

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Figures in R	2023	Restated 2022
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Financial Risk Management continued...

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Non-Current Receivables from Exchange Transactions	-	-
Receivables from exchange transactions	4,695,484	13,608,265
Receivables from non-exchange transactions	1,283,031	868,149
Cash and Cash Equivalents	4,278,293	656,003
	10,256,808	15,132,417

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2023				
Long-term Liabilities	3,405,009	-	-	-
Trade and Other Payables	183,545,571	-	-	-
	186,950,580	-	-	-

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Financial Risk Management continued...		
2022		
Long-term Liabilities	2,865,845	-
Trade and Other Payables	158,030,319	-
	160,896,164	-

42. Financial Instruments

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

42.1 Financial Assets	Classification		
Non-Current Receivables			
Receivables with repay arrangements	Financial Instruments at amortised cost	-	-
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2,235,987	2,054,814
Water	Financial Instruments at amortised cost	669,653	5,160,047
Property Rentals	Financial Instruments at amortised cost	15,541	24,168
Waste Management	Financial Instruments at amortised cost	310,512	2,380,475
Waste Water Management	Financial Instruments at amortised cost	541,286	3,808,944
Other Arrears	Financial Instruments at amortised cost	-	-
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	317,878	59,463
Call Deposits	Financial Instruments at amortised cost	3,960,311	596,436
Total Financial Assets		8,973,673	14,264,164
Summary of financial assets			
Financial Instruments at amortised cost:			
Long-term Receivables	Receivables with repay arrangements	-	-
Receivables from Exchange Transactions	Electricity	2,235,987	2,054,814
Receivables from Exchange Transactions	Water	669,653	5,160,047
Receivables from Exchange Transactions	Property Rentals	15,541	24,168
Receivables from Exchange Transactions	Waste Management	310,512	2,380,475
Receivables from Exchange Transactions	Waste Water Management	541,286	3,808,944
Receivables from Exchange Transactions	Other Arrears	-	-
Cash and Cash Equivalents	Bank Balances	317,878	59,463
Cash and Cash Equivalents	Call Deposits	3,960,311	596,436
Total Financial Assets		8,973,673	14,264,164

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Figures in R	2023	Restated 2022	
<i>Financial Instruments continued...</i>			
42.2 Financial Liabilities	Classification		
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	1,359,890	817,192
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	-	-
Advance Payments	Financial Instruments at amortised cost	781,159	579,633
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	3,085,845	2,883,656
Other Payables	Financial Instruments at amortised cost	1,061,049	656,903
Retentions	Financial Instruments at amortised cost	-	-
		6,287,943	4,937,384
Summary of financial liabilities			
Long-term Liabilities	Capitalised Lease Liability	1,359,890	817,192
Trade and Other Payables	Trade Payables	-	-
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Advance Payments	781,159	579,633
Trade and Other Payables	Control, Clearing and Interface Accounts	3,085,845	2,883,656
Trade and Other Payables	Other Payables	1,061,049	656,903
Trade and Other Payables	Retentions	-	-
		6,287,943	4,937,384

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43. Statutory receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes

VAT Receivable	22,082,954	14,693,974
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Receivables from Non-Exchange Transactions

Rates	1,114,247	699,358
Fines	168,784	168,791
	1,283,031	868,149
Total Statutory Receivables (before provision)	23,365,985	15,562,123
Less: Provision for debt impairment	-	-
Total Statutory Receivables (after provision)	23,365,985	15,562,123

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)
Fines	- Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

(Rates): Ageing

Current (0 - 30 days)	2,732,867	1,493,382
31 - 60 Days	2,317,555	2,422,021
61 - 90 Days	1,124,737	1,057,665
+ 90 Days	27,788,977	17,673,358
Total	33,964,135	22,646,425

Ageing of amounts past due but not impaired:

1 month past due	2,317,555	2,422,021
2+ months past due	28,913,714	18,731,023
	31,231,268	21,153,043

Interest Received from Statutory Receivables

Receivables from Non-Exchange Transactions	-	-
	-	-

Interest is levied at a rate determined by the council on outstanding rates amounts.

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Statutory receivables continued...

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 July 2022 and will be utilised until the period ending 30 June 2023.

44. In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance from National Treasury during the year under review.

45. Private public partnership

Council has not entered into any private public partnerships during the financial year.

46. Principal-agent arrangements

47. Contingent liabilities

The municipality is currently engaged in the following litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

Thembelihle / PKF Financial Consultants cc (Oosthuizen du Plooy)

PKF Financial Consultations CC issued a notice of motion in the High Court of Kimberley requesting for an order to declare the municipality's bid specification committee's mandatory requirement for the value R193 460.29.

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48. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

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49. Prior period adjustments

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

Cash and Cash Equivalents

The Prior Year AFS contained mapping error in cash that resulted in creating a line item for bank overdraft. This was corrected through re-classifying the votes correctly to payables. Additionally, the municipality created a bank account for petty cash in order to manage movements. Due to the manual system that was used initially, this resulted in a backlog and expenditure not being recorded. The Prior Period Correction to bring petty cash up to date was performed accordingly with the support and records maintained.

Receivables from Non-exchange Transactions

The difference of R12 235 290 on receivables from exchange transactions is due to the provision for impairment calculation.

Receivables from exchange Transactions

The difference of R11 291 766 on receivables from exchange transactions is due to the provision for impairment calculation.

Employee related costs

It is part portion of the employee benefit obligation expense portion of it.

Employee benefits

The difference was caused by the medical benefit obligation for post employee benefits.

Licences and permits

The differences are caused by the reclassification to agency fees, in the previous year it was mapped to licences and permits

Payables from exchange transactions

The difference being accrued leave adjustment, the movement journal was not posted in 2022, but posted in the current year for prior year.

Other movable assets

The amount of R16 726.16 is the derecognition of assets less than R1 000 in value. The amount of R88 331.02 is the derecognition of assets less than R1 000 in value. The amount of R35 089.35 is the reversal of accumulated depreciation on the derecognised assets.

Intangible assets

The R155 099.89 is the restatement of the opening accumulated amortisation R73 955.79 is the amortisation charge for the year .

Unspent conditional grants

The difference was to align the TB and GL to the grant register according to the movements.

Service charges

Accounting for OVK payments for electricity. The municipality bills the client then the client pays straight to Eskom.

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Figures in R	2023	Restated 2022
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Prior period adjustments continued...

Work In Progress

The amount of R6 009 200, is expensing construction of Pour Flush toilets in Goutrou and Hillside completed. The amount of R23 374 307.35 refers to the correction of work in progress in the general ledger.

Provision of impairment adjustment

The amount of R23 527 356 impairment movement for the year 2022 was not processed in the GL. The workings were provided to the auditors.

Workman's Compensation Fund

Assessment were done and expenditure restated on the AFS

Infrastructure

The amount of R218 074.32 is the cost amount of the sanitation and water supply which is recognised which had been previously omitted. The amount of R52 041.92 relates to the accumulated depreciation amount of those recognised infrastructure amounts.

Buildings

The amount of R318 500.98 relates to buildings which were previously omitted and is now recognised. The amount of R157 484.74 relates to the accumulated depreciation of the of buildings that were omitted in the prior year. The amount of R11 107.49 relates to the depreciation charge for the year 2022 for those buildings which were previously omitted.

The correction of the errors results in adjustments as follows:

Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Cash and Cash Equivalents	621,132	34,850	-	655,982
Receivables from Non-exchange Transactions	13,103,439	(12,235,290)	-	868,149
Receivables from exchange Transactions	13,988,498	(11,291,766)	-	2,696,732
Property, Plant and Equipment	255,542,221	(5,544,787)	-	249,997,434
Employee benefit obligation (current portion)	376,000	228,000	-	604,000
Payables from exchange transactions	153,586,431	7,172,651	-	160,759,082
Unspent conditional grant	390,151	248,153	-	638,304
Employee benefit obligation (long term portion)	6,033,000	1,496,000	-	7,529,000
	443,640,872	(19,892,189)	-	423,748,683

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Notes to the Financial Statements

Figures in R	2023	Restated 2022		
<i>Prior period adjustments continued...</i>				
Statement of Financial Performance				
	Previously reported	Correction of prior period error	Reclassification	Restated balance
Commission received	2,422,155	(1,455,822)	-	966,333
Service charges	18,355,666	606,593	-	18,962,259
Workman's Compensation fund	-	137,081	-	137,081
Provision for impairment adjustment	-	23,527,356	-	23,527,356
Licences and permits	3,869,812	(3,722,084)	-	147,728
	24,647,633	19,093,124	-	43,740,757
Disclosure Notes				
Commitments	9,168,472	(6,775,328)	-	2,393,144
Irregular Expenditure	183,177,620	2,659,873	-	185,837,493
	192,346,092	(4,115,455) #	- #	188,230,637

50. Subsequent Events

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2023.

51. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment	14,444,420	2,393,144
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Total Capital Commitments

Already contracted for but not provided for	14,444,420	2,393,144
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Total Commitments

	-	-
Authorised capital expenditure	14,444,420	2,393,144

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52. BUDGET INFORMATION

Explanation of variances between approved and final budget amounts

Service Charges - Water Revenue

Unreplaced broken meters and other water losses.

Rental of Facilities and Equipment

Due to a percentage based rental charges on municipal houses.

Interest received outstanding debtors

Increase due to an increase in outstanding debtors.

Fines penalties and forfeits

Labour issues affected productivity.

Licences and permits

Under collection can be attributed to unplanned office closure in February and instability.

Agency services

Under collection can be attributed to unplanned office closure in February and instability.

Other revenue

Under collection attributed to the ageing facilities and instability in operations.

Debt impairment

Increase due to an increase in outstanding debtors.

Finance charges

Due to cashflow constrains, the municipality could not service the Eskom account.

Remuneration of councillors

The municipality had to pay remuneration for two Speakers of council during the financial year.

Transfers and subsidies

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BUDGET INFORMATION continued...

capital – Unspent grants

Other expenditure

All operating expenditure items processed on this budget.

Depreciation & asset impairment

Ageing infrastructure and vandalism.

Inventory Consumed

Consumption decreased

53. **Going concern**

We draw attention to the fact that at 30 June 2023, the municipality incurred a deficit of R123 124 440.

We further draw attention to the fact that at 30 June 2023 a material uncertainty exists regarding the ability of the municipality to continue as a going concern.

These factors are listed below:

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
- Increase in payables from exchange transactions.
The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
- There is no improvement in the liquidity of the municipality. The majority of the current liabilities are trade payables. The municipality is not able to repay suppliers on demand or within 30 days from date of service or goods received.
- There is a concern regarding the liquidity of the municipality.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policy applicable to a going concern. This basis presumes that funds will be available to finance future operations.

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

These factors are listed below:

The municipality still has the ability to levy services, rates and taxes and

The municipality will continue to receive funding from government evident from the equitable share and allocations as published in terms of the Division of Revenue Act (Act 1 of 2017).

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54. Segment reporting

Segments 2023

Segment Revenue

	Budget & Treasury	Corporate Services	Electricity	Office of Financial Management	Planning & Development	Road Transport	Waste Management	Waste Water Management	Water	Grand Total
Agency Services	-	(460,309)	-	-	-	-	-	-	-	(460,309)
Fines, Penalties and Forfeits	(6,377)	(31,541)	-	-	-	-	-	-	-	(37,919)
Interest, Dividend and Rent on Land	(4,056)	(1,776,522)	-	(805,693)	-	-	(1,011,638)	-	(2,356,081)	(5,953,989)
Licences or Permits	-	(140,098)	-	-	-	-	-	-	-	(140,098)
Operational Revenue	-	(145,338)	-	(924,926)	-	-	-	-	-	(1,070,265)
Property Rates	-	-	-	(15,757,939)	-	-	-	-	-	(15,757,939)
Rental from Fixed Assets	-	(4,692)	-	(475,803)	-	-	-	-	-	(480,494)
Sales of Goods and Rendering of Services	(3,650)	(119,087)	-	(38,660)	-	-	-	(7,456)	-	(168,852)
Service Charges	(1,456,778)	(3,501,075)	(2,338,918)	(6,711,922)	-	(2,270,940)	(1,936,072)	(3,896,130)	(2,259,037)	(24,370,870)
Transfers and Subsidies	-	(1,691,462)	(862,538)	(8,775,494)	(476,576)	(8,573,934)	-	(33,433,000)	(9,895,141)	(63,708,143)
Gains and Losses	-	(406,797)	-	-	-	-	-	-	-	(406,797)
Grand Total	(1,470,861)	(8,276,921)	(3,201,456)	(33,490,436)	(476,576)	(10,844,874)	(2,947,709)	(37,336,586)	(14,510,259)	(112,555,677)

Segment Expenditure

	Budget & Treasury	Corporate Services	Electricity	Executive Council	Office of Financial Management	Road Transport	Waste Management	Waste Water Management	Water	Grand Total
Bulk Purchases	-	-	14,448,960	-	-	33,542	-	-	-	14,482,502
Contracted Services	-	4,734,945	-	-	3,649,922	28,321	-	-	-	8,413,189
Depreciation and Amortisation	-	1,398,352	968,024	-	897,358	3,148,471	(1,102,655)	4,082,402	10,050,525	19,442,476
Employee Related Cost	-	9,652,739	1,541,910	1,871,130	7,234,402	5,662,202	2,717,726	843,150	6,320,938	35,844,197
Interest, Dividends and Rent on Land	-	-	-	-	8,748,257	-	-	-	-	8,748,257
Inventory Consumed	-	107,229	431,964	-	90,881	164,377	63,799	192,817	1,080,138	2,131,206
Irrecoverable Debts Written Off	-	-	-	-	22,978,792	-	-	-	-	22,978,792
Operating lease	-	-	-	-	25,651	-	-	-	-	25,651
Operational Cost	62,834	2,124,135	748,979	1,740,904	8,858,146	1,146,826	121,884	240,637	1,694,942	16,739,287
Remuneration of Councillors	-	-	-	4,736,628	-	-	-	-	-	4,736,628
Transfers and Subsidies	-	-	-	13,600	368,495	-	-	-	-	382,095
Grand Total	62,834	18,017,400	18,139,838	8,362,262	52,851,903	10,183,739	1,800,755	5,359,006	19,146,543	133,924,279

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Segment reporting continued...

Segment Assets

	Budget & Treasury	Corporate Services	Executive Council	Office of Financial Management	Road Transport	Grand Total
Cash and Cash Equivalents		(22,491)		111,003,359	(106,702,578)	4,278,290
Construction Work-in-progress				45,517,783		45,517,783
Control, Clearing and Interface Accounts				(60,583)		(60,583)
Heritage Assets				8,944,881		8,944,881
Intangible Assets				67,382		67,382
Inventory				13,051		13,051
Investment Property				22,038,082		22,038,082
Non-current Receivables from Non-exchange Transactions				-		-
Property, Plant and Equipment	(18,284,648)			215,228,553	(110,143)	196,833,762
Receivables from Non-exchange Transactions		(381,517)		1,664,546		1,283,029
Trade and other Receivables from Exchange Transactions	(228)	3,170,264	387,363	3,227,156	(2,089,073)	4,695,482
VAT Receivable			-	22,085,053		22,085,053
Grand Total	(18,284,876)	2,766,256	387,363	429,729,264	(108,901,795)	305,696,213

Segment Liabilities	Budget & Treasury	Executive Council	Office of Financial Management	Road Transport	Grand Total
Consumer Deposits			(764,928)		(764,928)
Defined Benefit Obligations		(265,424)	(317,000)	(8,575,059)	(9,157,483)
Financial Liabilities			(5,065,239)		(5,065,239)
Output Tax			(7,358,753)		(7,358,753)
Provision and Impairment			(13,098,083)		(13,098,083)
Trade and Other Payable Exchange Transactions	187,258		(174,260,382)	(9,472,447)	(183,545,571)
Trade and Other Payable Non-exchange Transactions			(2,402,852)		(2,402,852)
VAT Control (Payable)			517,366		517,366
VAT Credit			(2,497,101)		(2,497,101)
Grand Total	187,258	(265,424)	(205,246,972)	(18,047,506)	(223,372,643)

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Segment reporting continued...

Segment Revenue	Segments 2022									Grand Total
	Corporate Services	Electricity	Executive Council	Office of Financial Management	Planning & Development	Road Transport	Waste Management	Waste Water Management	Water	
Agency Services	(3,293,863)									(3,293,863)
Fines, Penalties and Forfeits	(24,000)									(24,000)
Interest, Dividend and Rent on Land	(1,471,513)			(489,313)			(890,302)		-2085029.67	(4,936,158)
Licences or Permits	(147,728)									(147,728)
Operational Revenue	(208,935)			(2,489,142)						(2,698,077)
Property Rates	-			(15,781,413)						(15,781,413)
Rental from Fixed Assets	(8,709)			(404,649)						(413,358)
Sales of Goods and Rendering of Services	(94,071)			(33,184)				(7,818)		(135,074)
Service Charges	(2,678,041)	(907,551)		(6,703,229)		(2,215,517)	(1,489,732)	(2,832,922)	-2135266.21	(18,962,258)
Transfers and Subsidies	-		(28,135,000)	(3,769,536)	(577,848)	(7,558,717)			-6763693.29	(46,804,794)
Gains and Losses	-			204,385						204,385
Grand Total	(7,926,860)	(907,551)	(28,135,000)	(29,466,082)	(577,848)	(9,774,234)	(2,380,035)	(2,840,741)	(10,983,989)	(92,992,339)

Segment Expenditure

Segment Expenditure	Budget & Treasury	Community & Social Services	Corporate Services	Electricity	Executive Council	Office of Financial Management	Road Transport	Waste Management	Waste Water Management	Water	Grand Total
	Bulk Purchases	-	-	-	14,491,392	-	-	33,606	-	-	-
Contracted Services	-	6,000	6,041,290	3,129	(219,976)	2,205,986	152,722	-	-	-	8,189,151
Depreciation and Amortisation	-	-	1,276,260	1,051,079	-	1,272,709	11,497,522	-	(24,557)	-	15,073,012
Employee Related Cost	-	-	7,400,694	1,373,703	791,687	6,909,073	7,043,369	2,578,373	1,112,236	5,837,469	33,046,604
Interest, Dividends and Rent on Land	-	-	-	-	-	6,089,912	-	-	-	-	6,089,912
Inventory Consumed	-	1,727	44,516	364,578	-	245,143	94,151	40,773	346,167	884,030	2,021,083
Irrecoverable Debts Written Off	-	-	-	-	-	26,039,118	-	-	-	-	26,039,118
Operational Cost	29,230	-	1,361,346	834,937	1,650,038	4,535,144	1,023,256	96,242	286,654	1,412,327	11,229,176
Remuneration of Councillors	-	-	-	-	4,408,825	-	-	-	-	-	4,408,825
Transfers and Subsidies	-	-	-	-	19,941	-	-	-	-	-	19,941
Grand Total	29,230	7,727	16,124,105	18,118,817	6,650,516	47,297,087	19,844,626	2,715,388	1,720,500	8,133,826	120,641,821

Thembelihle Local Municipality

(Registration Number NC076)

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

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Segment reporting continued...

Segment Assets

	Budget & Treasury	Corporate Services	Executive Council	Office of Financial Management	Road Transport	Grand Total
Cash and Cash Equivalents				668,470		668,470
Construction Work-in-progress				44,715,205		44,715,205
Control, Clearing and Interface Accounts				(47,338)		(47,338)
Heritage Assets				8,944,881		8,944,881
Intangible Assets				19,929		19,929
Inventory				183,749		183,749
Investment Property				20,997,379		20,997,379
Non-current Receivables from Non-exchange Transactions				-		-
Property, Plant and Equipment	(24,276)		157,832	192,737,172	11,609,117	204,479,845
Receivables from Non-exchange Transactions	-	(262,910)	-	588,797	-	325,887
Trade and other Receivables from Exchange Transactions	(128,014)	(47,965,983)	20,568	50,652,512	(1,851,853)	727,230
VAT Receivable			-	14,587,072		14,587,072
Grand Total	(152,289)	(48,228,893)	178,400	334,047,828	9,757,264	295,602,309 #

Segment Liabilities

	Corporate Services	Office of Financial Management	Grand Total
Consumer Deposits		(745,673)	(745,673)
Defined Benefit Obligations	(287,000)	(7,846,000)	(8,133,000)
Financial Liabilities		(3,445,582)	(3,445,582)
Output Tax		(4,825,373)	(4,825,373)
Provision and Impairment		(16,223,431)	(16,223,431)
Trade and Other Payable Exchange Transactions	(115,239,007)	(41,540,432)	(156,779,438)
Trade and Other Payable Non-exchange Transactions		(1,190,781)	(1,190,781)
VAT Control (Payable)		121,278	121,278
VAT Credit		(1,461,386)	(1,461,386)
Grand Total	(115,526,007)	(77,157,379)	(192,683,385)