

**!Kheis Local Municipality**

(Registration number NC084)

Annual Financial Statements for the year ending 30 June 2023



**Financial statements**

for the year ended 30 June 2023

# **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2023

(Registration number NC084)

## **GENERAL INFORMATION**

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<b>Legal form of entity</b>	!Kheis Local Municipality is a Category B municipality (local municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998)
<b>Nature of business and principal activities</b>	!Kheis Local Municipality is a local municipality performing its functions as set out in the Constitution (Act no. 105 Of 1996)
<b>Jurisdiction</b>	!Kheis Municipality includes the areas Grootdrink, Gariep, Topline, Wegdraai, Opwag, Groblershoop and Boegoeberg
<b>Members of Council</b>	
Appointed	Wednesday, November 3, 2021
Mayor	Cllr RV Christie
Speaker	Cllr K Esau
Councillors	Cllr D Jacobs Cllr A Ludick Cllr K Boer Cllr H van Wyk Cllr J Lodewyk Cllr J Jooste Cllr P Vries Cllr M Malgas Cllr J Ballies
<b>Outgoing council</b>	Tuesday, November 2, 2021
Mayor	Cllr. A Diergaardt
Councillors	Cllr. S Esau Cllr. A Tobias Cllr. J Silo Cllr. G Beukes Cllr. K Esau Cllr. E Cloete
<b>Capacity of local authority</b>	Low capacity municipality
<b>Accounting Officer</b>	SC van Eck Acting Municipal Manager
<b>Chief Financial Officer (CFO)</b>	D Block Chief Financial Officer
<b>Registered Office</b>	97 Orange Street Groblershoop 8850
<b>Business address</b>	97 Orange Street Groblershoop 8850

**Postal address**

Pravite Bag X2  
Groblershoop  
8850

**Bankers**

First National Bank  
Groblershoop  
8850

**Telephone number:**

054 833 9500

**Fax number:**

054 833 0690

**E-mail address:**

[ddolopi@gmail.com](mailto:ddolopi@gmail.com)

# **!Kheis Local Municipality**

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Annual Financial Statements for the year ending 30 June 2023

## **General information (continued)**

<b>Auditors</b>	Auditor - General Private Bag X5013 Kimberley 8300
<b>Attorneys</b>	FJ SENEKAL INCORPORATED NEVILLE CLOETE ATTORNEYS INC.
<b>Enabling Legislation</b>	Local Government: Municipal Finance Management Act (Act no 56 of 2003) Local Government: Municipal Systems Act (Act no 32 of 2000) Local Government: Municipal Structures Act (Act no 117 of 1998) Municipal Property Rates Act (Act no 6 of 2004) Municipal Standard Chart of Accounts Division of Revenue Act (Act 6 of 2011) Municipal Planning and Performance Management Regulations Water Service Act (Act 108 of 1997) Housing Act (Act no 107 of 1997) Basic Conditions of Employment Act (Act no 75 of 1997) Supply Chain Management Regulations, 2005 Skills Development Levies Act (Act 9 of 1999) Unemployment Insurance Act (Act no 30 of 1966) Employment Equity Act (Act 55 of 1998) Electricity Act (Act no 41 of 1987) The Income Tax Act Value Added Tax Act Collective Agreements Infrastructure Grants SALBC Leave Regulations

# **!Kheis Local Municipality**

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

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## **!Kheis Local Municipality**

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### **Abbreviations**

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COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IAS	International Accounting Standard
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
FMG	Financial Management Grant
MSCOA	Municipal Standard Chart of Accounts

## **!Kheis Local Municipality**

(Registration number NC084)

Annual Financial Statements for the year ending 30 June 2023

### **Accounting Officer's Responsibilities and Approval**

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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.

It is acknowledged that the accounting officer 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, standards are set 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.

In my opinion as accounting officer and based on the information and explanations given by management, 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 reviewed the municipality's cash flow forecast for the year to 30 June 2023 and its financial position as at 30 June 2022, and, in my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community. The mandate of the municipality in encapsulated in Section 152 of the Constitution of the Republic of South Africa. In my opinion the municipality still falls short of delivering services in accordance with its Constitutional injunction, however it being a not for profit entity gives me comfort that it will continue to be able to deliver on its mandate. This is moreso that we have improved on efficiencies, reduced employee costs and have improved our control environment.

The accounting officer is responsible for the preparation of these financial statements, which are set out on all pages in terms of section 126 (1) of the Municipal finance Management Act and which I have signed on behalf of the municipality. In the years under review and after many years of using external consultant to prepare and compile the AFS, the Accounting Officer took a bold decision that these statementment will be compiled internally.

I certify that salaries, allowances and benefits of Councillors as disclosed in note 25 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

D. Dolopi  
Acting Municipal Manager

# **!Kheis Local Municipality**

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Annual Financial Statements for the year ending 30 June 2023

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## **Accounting Officer's Report**

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

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in providing municipal services in accordance with the objects of local government as encapsulated in Section 152 of the Constitution and operates principally in the Northern Cape Province in South Africa.

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

### **2. Going concern**

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. Key among these is the quality and caliber of senior management charged with implementing the Service Delivery and Budget Implementation Plans of the municipality. The ability to take stock of the processes in place to identify, evaluate, monitor and control risks associated with successful delivery of strategic and operational objectives which ensure sustainability is of utmost importance. The most significant of this is the deliberate action that must be taken is to reduce employee costs, enhance revenue and reduce third party debt and creditors to acceptable norms.

Cash flow was an impediment to delivery services in accordance with the Constitutional injunction *in rebus sic stantibus* that over R6million had to be returned to the National Revenue Fund due to non-compliance with DORA by my predecessor. This also had a direct impact on the ability of the municipality to service third party debt.

### **3. Accounting policies**

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

### **4. Accounting Officer**

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

Name	Nationality
D. Dolopi	RSA Citizen



## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	Restated 2022
<b>Assets</b>			
<b>Current assets</b>			
Other financial assets	5	143,372	136,259
Inventories	6	21,398	20,372
Other receivables from non-exchange transactions	7	17,469,778	13,544,283
VAT receivable	8	6,961,501	7,355,725
Trade and other receivables from exchange transactions	9	40,535,897	27,550,626
Cash and cash equivalents	10	(1,187,270)	332,650
		<b>63,944,676</b>	<b>48,939,915</b>
<b>Non-current assets</b>			
Property, plant and equipment	3	197,919,728	196,920,178
		<b>197,919,728</b>	<b>196,920,178</b>
<b>Total assets</b>		<b>261,864,404</b>	<b>245,860,093</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Unspent conditional grants and receipts	12	11,557,084	11,455,971
Employee benefit obligation	14	250,000	246,000
Payables from exchange transactions	15	63,099,618	62,266,621
VAT payable		-	-
Finance lease obligation	16	874,830	874,830
Consumer deposits	17	116,716	116,716
		<b>75,898,248</b>	<b>74,960,138</b>
<b>Non-current liabilities</b>			
Finance lease obligation	11	1,559,748	1,559,748
Employee benefit obligation	14	2,011,000	1,998,000
Provisions	13	10,431,181	13,811,891
		<b>14,001,929</b>	<b>17,369,639</b>
<b>Total liabilities</b>		<b>89,900,176</b>	<b>92,329,777</b>
<b>Net assets</b>		<b>171,964,227</b>	<b>153,530,316</b>
Accumulated surplus / (deficit)		171,964,227	153,530,316
<b>Total net assets</b>		<b>171,964,227</b>	<b>153,530,316</b>

## **!Kheis Local Municipality**

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### **Statement of Changes in Net Assets**

Figures in Rand	Accumulated Surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>138,507,381</b>	<b>138,507,381</b>
Changes in nett assets		-
Prior Adjustment	(1,332,810)	(1,332,810)
Surplus for the year	(16,332,734)	(16,332,734)
<b>Total changes</b>	<b>(17,665,543)</b>	<b>(17,665,543)</b>
<b>Balance at 30 June 2021</b>	<b>120,841,838</b>	<b>120,841,838</b>
	-	-
Changes in nett assets	37,004,049	37,004,049
Surplus for the year	(4,315,571)	(4,315,571)
Net Surplus as previously reported	(3,705,944)	(3,705,944)
Effects of Corrections of errors: Note 39	(609,626)	(609,626)
<b>Total changes</b>	<b>32,688,478</b>	<b>32,688,478</b>
<b>Balance at 30 June 2022</b>	<b>153,530,316</b>	<b>153,530,316</b>
Changes in nett assets	375,359	375,359
Prior Adjustment	-	-
Surplus for the year	18,058,551	18,058,551
<b>Total changes</b>	<b>18,433,911</b>	<b>18,433,911</b>
<b>Balance at 30 June 2023</b>	<b>171,964,227</b>	<b>171,964,227</b>

# **!Kheis Local Municipality**

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## **Statement of Financial Performance**

Figures in Rand	Note (s)	2023	Restated 2022
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	18	145,379	231,170
Rental of facilities and equipment	18	182,328	224,154
Service charges	20	9,254,145	10,685,967
Licenses and permits	18	9,740	185,092
Other income	22	918,894	422,119
Interest received - Exchange transactions	27	5,582,893	5,913,831
Interest received - investment	27	34,936	58,520
<b>Total revenue from exchange transactions</b>		<b>16,128,314</b>	<b>17,720,854</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	5,932,890	5,146,853
Interest received - Non exchange transactions	18	3,895	4,718
<b>Transfer revenue</b>			
Government grants & subsidies	21	54,296,686	40,175,926
<b>Total revenue from non-exchange transactions</b>		<b>60,233,471</b>	<b>45,327,497</b>
<b>Total revenue</b>		<b>76,361,786</b>	<b>63,048,350</b>
<b>Expenditure</b>			
Employee related cost	24	(31,063,075)	(30,961,744)
Remuneration of councillors	25	(4,299,861)	(3,795,134)
Debt impairment	26	-	(11,681,983)
Depreciation and amortisation	28	(6,805,548)	(5,359,382)
Impairments	49	(111,881)	(332,955)
Finance costs	29	(4,254,085)	(1,353,430)
Bulk purchases	31	(1,868,303)	(1,904,454)
General expenses	23	(10,009,745)	(11,974,839)
<b>Total expenditure</b>		<b>(58,412,497)</b>	<b>(67,363,921)</b>
<b>Operating (deficit) surplus</b>		<b>17,949,289</b>	<b>(4,315,571)</b>
Gains/loss on sale of Fixed assets		109,262	-
<b>(Deficit) surplus for the year</b>		<b>18,058,551</b>	<b>(4,315,571)</b>

# **!Kheis Local Municipality**

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## **Cash Flow Statement**

Figures in Rand	Note (s)	2023	Restated 2022
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation / Sale of goods and services		15,524,481	16,473,236
Grants		54,296,686	40,175,926
Interest income from investing activities		34,936	58,520
Interest received from trading activities		5,586,788	5,918,549
Other income		918,894	422,119
		<u>76,361,786</u>	<u>63,048,350</u>
<b>Payments</b>			
Employee costs		(35,362,935)	(34,756,877)
Suppliers		(11,878,048)	(13,879,293)
Finance costs		(4,254,085)	-
Other payments		(10,009,745)	-
		<u>(61,504,812)</u>	<u>(48,636,171)</u>
<b>Net cash flows from operating activities</b>	33	<u><b>14,856,973</b></u>	<u><b>14,412,180</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(13,354,433)	(7,813,683)
Proceeds from sale of property, plant and equipment	4	-	-
Purchase from other intangible assets	5	-	-
		<u>(13,354,433)</u>	<u>(7,813,683)</u>
<b>Net cash flows from investing activities</b>		<u><b>(13,354,433)</b></u>	<u><b>(7,813,683)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease written off/New finance leases		-	-
Transfer to payables from exchange transactions		-	-
Finance lease payments		-	-
		<u>-</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<u><b>-</b></u>	<u><b>-</b></u>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>1,502,540</b>	<b>6,598,496</b>
Cash and cash equivalents at beginning of year		332,650	2,685,763
<b>Cash and cash equivalents at end of the year</b>	10	<u><b>(1,187,270)</b></u>	<u><b>332,650</b></u>

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	10,647,990	-	<b>10,647,990</b>	5,932,890	<b>-4,715,100</b>	Slow collection rate. The municipality is not having any other means that can be implemented in enforcing debtors to pay
Service charges	14,571,555	-	<b>14,571,555</b>	9,254,145	<b>-5,317,410</b>	Slow collection rate. The municipality is not having any other means that can be implemented in enforcing debtors to pay
Investment revenue	514,686	-	<b>514,686</b>	34,936	<b>-479,750</b>	
Transfers recognised - operational	38,270,000	-	<b>38,270,000</b>	41,411,979	<b>3,141,979</b>	The meters as well as the in-kind receipts from the AG had been recognised
Other own revenue	8,093,923	2,610,764	<b>10,704,687</b>	6,948,496	<b>-3,756,191</b>	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>72,098,154</b>	<b>2,610,764</b>	<b>74,708,918</b>	<b>63,582,445</b>	<b>-11,126,473</b>	
<b>Expenditure by type</b>						
Employee costs	33,417,979	-1,251,461	<b>32,166,518</b>	31,063,075	<b>-1,103,443</b>	Vacancies not filled during the year
Remuneration of councillors	4,634,244	-	<b>4,634,244</b>	4,299,861	<b>-334,383</b>	
Debt impairment	12,084,573	-	<b>12,084,573</b>	-	<b>-12,084,573</b>	No impairments provided
Depreciation and asset impairment	9,087,817	-	<b>9,087,817</b>	6,917,429	<b>-2,170,388</b>	Reduction if the value of landfill sites as well as the impairment
Finance charges	-	-	-	4,254,085	<b>4,254,085</b>	Penalties and interests are not budgeted for
Materials and bulk purchases	1,339,715	570,500	<b>1,910,215</b>	1,868,303	<b>-41,912</b>	
Transfers and grants	1,112,262	-23,000	<b>1,089,262</b>	-	<b>-1,089,262</b>	These expenses had been provided under general expenditure
Other expenditure	11,370,794	2,506,077	<b>13,876,871</b>	10,009,745	<b>-3,867,126</b>	Cash flow challenges where commitments could not be met
<b>Total expenditure</b>	<b>73,047,384</b>	<b>1,802,116</b>	<b>74,849,500</b>	<b>58,412,497</b>	<b>-16,437,003</b>	
<b>Surplus/(Deficit)</b>	<b>-949,230</b>	<b>808,648</b>	<b>-140,582</b>	<b>5,169,949</b>	<b>5,310,531</b>	

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	16,567,000	-	<b>16,567,000</b>	12,884,707	<b>-3,682,293</b>	Litigation against the municipality contributed to non payment of contractors
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>15,617,770</b>	<b>808,648</b>	<b>16,426,418</b>	<b>18,054,656</b>	<b>1,628,238</b>	
<b>Surplus/(Deficit) for the year</b>	<b>15,617,770</b>	<b>808,648</b>	<b>16,426,418</b>	<b>18,054,656</b>	<b>1,628,238</b>	
<b>Reconciliation</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	-29,284,565	-1,144,606	-30,429,171	-1,043,898	<b>29,385,273</b>	
Consumer debtors	114,358,853	1,859,256	116,218,109	58,005,674	<b>-58,212,435</b>	
VAT	-	-	-	6,961,501	<b>6,961,501</b>	
Current portion of long-term receivables	109,510	-	109,510	-	<b>-109,510</b>	
Inventory	185,388	-	185,388	21,398	<b>-163,990</b>	
	<b>85,369,186</b>	<b>714,650</b>	<b>86,083,836</b>	<b>63,944,676</b>	<b>-22,139,160</b>	
<b>Non-Current Assets</b>						
Property, Plant and Equipment	190,984,394	1,601,000	192,585,394	197,919,728	<b>5,334,334</b>	
Intangible	1,938,206	-	1,938,206	-	<b>-1,938,206</b>	
	<b>192,922,600</b>	<b>1,601,000</b>	<b>194,523,600</b>	<b>197,919,728</b>	<b>3,396,128</b>	
<b>Total Assets</b>	<b>278,291,786</b>	<b>2,315,650</b>	<b>280,607,436</b>	<b>261,864,404</b>	<b>-18,743,032</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Bank overdraft	-	-	-	-	-	
Borrowing	2,391,088	-	2,391,088	-	<b>-2,391,088</b>	
Consumer deposits	98,492	-	98,492	116,716	<b>18,224</b>	
Trade and other payables	77,491,983	1,507,002	78,998,985	63,099,618	<b>-15,899,367</b>	
Provisions	9,477,808	-	9,477,808	12,692,181	<b>3,214,373</b>	
Other current liabilities				12,431,913	<b>12,431,913</b>	
	<b>89,459,371</b>	<b>1,507,002</b>	<b>90,966,373</b>	<b>88,340,427</b>	<b>-2,625,946</b>	

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Non-Current Liabilities</b>						
Borrowing	1,620,578	-	1,620,578	1,559,748	-60,830	
	<b>1,620,578</b>	<b>-</b>	<b>1,620,578</b>	<b>1,559,748</b>	<b>-60,830</b>	
<b>Total Liabilities</b>	<b>91,079,949</b>	<b>1,507,002</b>	<b>92,586,951</b>	<b>89,900,175</b>	<b>-2,686,776</b>	
<b>Nett Assets</b>	<b>187,211,837</b>	<b>808,648</b>	<b>188,020,485</b>	<b>171,964,228</b>	<b>-16,056,257</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(deficit)	205,062,619	-	205,062,619	171,964,227	-33,098,392	
<b>Total community wealth/equity</b>	<b>205,062,619</b>	<b>-</b>	<b>205,062,619</b>	<b>171,964,227</b>	<b>-33,098,392</b>	

## **1.1. Presentation of Annual Financial Statements**

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

### **1.1.1 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements.

### **1.1.2 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 statement. Significant judgement include:

#### **1.1.2.1 Trade receivables / Held to maturity investments and/or loans and receivables**

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

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

#### **1.1.2.2 Allowance for slow moving, damaged and obsolete stock**

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.



### **1.1.2.3. Statutory Receivables**

Statutory receivables are measured at each reporting date using the cost method as outlined in GRAP 108. Applying the cost method means that the initial transaction amount is only adjusted for the following:

Interest or other penalties. Interest is charged based on the nominal rate outlined in the credit and debt collection policy.

Payments received and other amounts that are derecognised by the entity, for example amounts waived by the entity.

Impairment losses:

The municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material.

## **1.1.2 Significant judgements and sources of estimation uncertainty (Continued)**

### **1.1.2.3 Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

### **1.1.2.4 Provisions and contingent liabilities**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

### **1.1.2.5 Useful lives of property, plant and equipment and intangible 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.

### **1.1.2.6 Allowance for doubtful debts**

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

### **1.1.2.7 GRAP 24: Presentation of Budget information**

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparative basis

### **1.1.2.8 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.1.2.9 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

### **1.1.2 Significant judgements and sources of estimation uncertainty (Continued)**

#### **1.1.2.10 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors 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 is performed per service-identifiable categories across all classes of debtors.

#### **1.1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

#### **1.1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories**

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

#### **1.1.2.13 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 6 - Inventory.

#### **1.1.2.14 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

## 1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

### 1.1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

### 1.1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

### 1.1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE	Expected impact:
• GRAP 1	Amendments to GRAP 1 on Presentation of Financial Statements.	01 April 2023	Early adopt amendments
• GRAP STANDARDS	Improvements to Standards of GRAP 2021	01 April 2023	Early adopt amendments (per standard)
• GRAP 17	Effective date of improvement, particularly improvement to GRAP 17 on Property, Plant and Equipment		No significant impact is expected
• GRAP 104	Financial Instruments	01 April 2025	Early adoption of entire Standard permitted
• GRAP 25	Employee benefits	01 April 2024	Early adoption of entire Standard permitted
• IGRAP 17	Service Concession Arrangement Grantor	Unknown	No significant impact is expected

## **1.2. Property, plant and equipment (Continued)**

### **1.2.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of Property, Plant and Equipment is recognised as an asset 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 are initially recognised 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. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

### **1.2.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

### 1.2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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. 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.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

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

#### **Buildings**

- Buildings	25-30 Years
- Improvements	25-30 Years
- Recreational Facilities	20-30 Years

#### **Infrastructure**

- Roads and paving	10-60 Years
- Pedestrian malls	15-30 years
- Electricity	10-30 years
- Water resevoirs	30-50 years
- Sewerage pump stations	30-55 years
- Housing	25-30 years

#### **Other property, plant and equipment**

- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	5-7 years
- Furniture and Fittings	5-7 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	7 - 25 years
- Lease hold property	3-5 years
- Security	3-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

### 1.2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

### 1.2.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

## **1.2. Property, plant and equipment (continued)**

### **1.2.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **1.2.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### **1.2.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

## **1.3. Intangible assets**

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

### **Intangible assets (continued)**

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

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

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

Intangible assets are derecognised:

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

### **1.4. Financial Instruments Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

## **1.4. Financial Instruments Classification (continued)**

### **Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### **Fair value determination**

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active ( and for unlisted securities ) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

### **The Effective Interest Rate Method**

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability 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.

### **Amortised Cost**

Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### **1.4.1 Impairment of financial assets**

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:



#### 1.4. Financial Instruments Classification (continued)

##### 1.4.1 Impairment of financial assets (Continued)

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
  
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or
  
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 1
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

#### 1.4. Financial Instruments Classification (continued)

##### 1.4.2 Financial Liabilities – Classification (Continued)

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured.

Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 1
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

##### 1.4.3 Initial and Subsequent Measurement

###### 1.4.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

###### 1.4.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

#### **1.4. Financial Instruments Classification (continued)**

##### **Financial Liabilities held at Amortised Cost (Continued)**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

##### **1.4.3.3 Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

##### **1.4.3.4 Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **1.4.3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

##### **1.4.3.6 Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

##### **1.4.3.7 Derivatives**

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

## **1.4. Financial Instruments Classification (continued)**

### **1.4.3.8 Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

### **1.4.3.9 Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and

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

### **1.4.3.10 Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of financial

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

## **1.5. Leases**

### **1.5.1 Classification**

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

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

## **1.5. Leases (Continued)**

### **1.5.2 The Municipality as Lessee**

#### **1.5.2.1 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.

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

#### **1.5.2.2 Operating leases - lessor**

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

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

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

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

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

#### **1.5.3 The Municipality Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred

#### **1.5.4 Determining whether an Arrangement contains a Lease**

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

## **1.6. 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.

## 1.6. Inventories (continued)

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.

## 1.7. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

### (a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

## **1.7. Impairment of cash-generating assets (continued)**

### **1.7.1 Identification**

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

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

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

### **1.7.2 Value in use**

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

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

### **1.7.3 Discount rate**

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

### **1.7.4 Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### **1.7.5 Cash-generating units**

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

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

## **1.7. Impairment of cash-generating assets (Continued)**

### **1.7.5 Cash-generating units (Continued)**

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

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

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

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

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

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

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

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

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

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

### **1.7.6 Reversal of impairment loss**

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

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

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

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

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

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

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



## **1.7. Impairment of cash-generating assets (continued)**

### **1.7.7 Redesignation**

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

### **1.7.8 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

(b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **1.7.9 Identification**

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

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

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

### **1.7.10 Value in use**

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

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

### **1.7.11 Depreciated replacement cost approach**

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

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

## **1.7. Impairment of cash-generating assets (continued)**

### **1.7.12 Restoration cost approach**

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

### **1.7.13 Service units approach**

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

### **1.7.14 Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### **1.7.15 Reversal of an impairment loss**

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

### **1.7.18 Redesignation**

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

## **1.8. Employee benefits**

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

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

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

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

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

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

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

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

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

### **1.8.1 Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

## **1.8. Employee benefits (continued)**

### **1.8.1 Short-term employee benefits (continued)**

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

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

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

### **1.8.2 Long Service Awards**

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

### **1.8.3 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.

## **1.8. Employee benefits (continued)**

### **1.8.3 Provisions and contingencies (continued)**

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

## **1.8. Employee benefits (continued)**

### **1.8.3 Provisions and contingencies (continued)**

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

## **1.9. REVENUE RECOGNITION**

### **1.9.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

### **1.9.2 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.

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

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.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

## **1.9. REVENUE RECOGNITION (Continued)**

### **1.9.2.1 Measurement**

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

### **1.9.2.2 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.

### **1.9.2.3 Rendering of services**

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

### **1.9.2.4 Interest**

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.

## **1.9. REVENUE RECOGNITION (Continued)**

### **1.9.2.5 Service Charges**

Service Charges are levied in terms of approved tariffs.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

### **1.9.2.6 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease

### **1.9.2.7 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional

### **1.9.2.8 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

### **1.9.2.9 Royalties**

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

### **1.9.2.10 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

### **1.9.2.11 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.



## **1.9. REVENUE RECOGNITION (Continued)**

### **1.9.2.12 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **1.9.2.13 Investment income**

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

## **1.9.3 Revenue from Non-exchange Transactions**

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

### **1.9.3.1 Rates and Taxes**

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

### **1.9.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

## **1.9. REVENUE RECOGNITION (Continued)**

### **1.9.3.3 Public Contributions**

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

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

### **1.9.3.4 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

## **1.10. Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

## **1.11. Comparative figures**

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

### **1.12. 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.

### **1.13. 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.

### **1.14. Irregular expenditure**

Irregular expenditure as defined in section 32 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 PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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.

### **1.15. Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.16. Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### **1.17. Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### **1.18. Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### **1.19. Segmental information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Note 51, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### **1.20. Budget information**

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

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

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

The approved budget covers the fiscal period from 2013/07/01 to 2016/06/30.

The annual financial statements and the budget are not 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.

### **1.21. Related parties**

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 national 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.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

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.

### **1.22. Value added tax**

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec 15(2)(a) of the Value-Added tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.23. Capital commitments**

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

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

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

### **1.24. Provisions**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **1.24.1 Provision for Environmental Rehabilitation**

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

## **25. TAXATION**

### **25.1 Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

### **25.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

### **25.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2022 is as follows:

### Statement of financial position

#### Cash flow statement

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

## 3. Reclassification of items in the Financial Statements as a result of the implementation of mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
<b>Statement of Financial Position</b>			
Other financial assets	-	-	-
Inventories	19,199	-	19,199
Other receivables from non-exchange transactions	1,267,053	-	1,267,053
VAT receivable	4,843,133	-	4,843,133
Trade and other receivables from exchange transactions	45,001,865	-	45,001,865
Cash and cash equivalents	4,982,352	-	4,982,352
Property, plant and equipment	201,531,894	-	201,531,894
Unspent conditional grants and receipts	(8,267,974)	-	(8,267,974)
Provisions	(52,638,744)	-	(52,638,744)
Short-term portion of Long Service Awards	(180,000)	-	(180,000)
Payables from exchange transactions	(50,165,884)	-	(50,165,884)
VAT payable	-	-	-
Current portion of non-current liabilities	-	-	-
Consumer deposits	(116,716)	-	(116,716)
Finance lease obligation	(2,434,578)	-	(2,434,578)
Long-term portion of Long Service Awards	(1,895,000)	-	(1,895,000)
Accumulated surplus / (deficit)	(141,946,605)	-	(141,946,605)
		=	
		=	



	<b>Balance previously reported</b>	<b>Adjustments</b>	<b>Balance previously reported</b>
<b>Statement of Financial Performance</b>			
Sale of goods	423,100	-	423,100
Rental of facilities and equipment	295,384	-	295,384
Property rates	3,391,831	-	3,391,831
Service charges	9,902,370	-	9,902,370
Government grants & subsidies	52,708,401	-	52,708,401
Licenses and permits	775,298	-	775,298
Recoveries	-	-	-
Other income	162,973	-	162,973
Interest received - consumer accounts	4,108,425	-	4,108,425
Interest received - investment	168,064	-	168,064
Personnel	(31,266,458)	-	(31,266,458)
Remuneration of councillors	(2,988,048)	-	(2,988,048)
Debt impairment	-	-	-
Depreciation and amortisation	(9,656,140)	-	(9,656,140)
Finance costs	(3,914,515)	-	(3,914,515)
Grants and Subsidies Paid - Operational (UDS Toilets)	-	-	-
Repairs and maintenance	(163,872)	-	(163,872)
Bulk purchases	(2,660,341)	-	(2,660,341)
General expenses	(12,978,815)	-	(12,978,815)
Impairment	(5,951,315)	-	(5,951,315)
<b>Net Surplus/(Deficit) for the year</b>	<b>2,356,342</b>	<b>-</b>	<b>2,356,342</b>

**3. Property, plant and equipment**

	2023			Restated 2022		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	60,581,446	-3,459,055	57,122,391	60,585,820	-3,433,226	57,152,594
Infrastructure	243,235,009	-188,330,325	54,904,684	247,653,636	-182,001,525	65,652,111
Community	22,711,130	-11,386,679	11,324,451	12,550,588	-10,895,074	1,655,514
Other property, plant and equipment	7,951,748	-7,757,962	193,786	7,841,058	-7,686,767	154,291
Lease hold assets	3,629,718	-2,780,768	848,950	3,629,718	-2,780,768	848,950
<b>Total</b>	<b>338,109,051</b>	<b>-213,714,788</b>	<b>124,394,263</b>	<b>332,260,819</b>	<b>-206,797,360</b>	<b>125,463,460</b>

	2023	Restated 2022
<b>Work in progress</b>	<b>73,525,465</b>	<b>71,456,718</b>
- Buildings	-	-
- Infrastructure Assets	73,525,465	71,456,718
- Community Assets	-	-
- Other Property Plant and Equipment	-	-
<b>Total</b>	<b>197,919,728</b>	<b>196,920,178</b>

**Reconciliation of property, plant and equipment - 2023**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Other changes, movements	Total
Land	56,994,924		-4,374					56,990,550
Buildings	157,670				-25,829			131,841
Motor vehicles	60,877				-30,438			30,439
Office equipment	4,053				-1,601			2,452
IT equipment	79,679	110,691			-37,033			153,337
Infrastructure	26,264,177	1,014,453			-2,417,075	-111,881		24,749,675
Community	1,655,514	10,160,542			-491,605	-		11,324,451
Other property, plant and equipment	9,683				-2,124			7,559
Landfill Asset	39,387,933				-3,799,844		-5433080.27	30,155,009
Other lease assets	848,950							848,950
Work in progress	71,456,718	2,068,747						73,525,465
								-
	<b>196,920,178</b>	<b>13,354,433</b>	<b>-4,374</b>	<b>-</b>	<b>-6,805,548</b>	<b>-111,881</b>	<b>-5,433,080</b>	<b>197,919,728</b>

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Other changes, movements	Total
Land	56,994,924		-				0	56,994,924
Buildings	183,498				-25,829			157,670
Motor vehicles	121,544				-60,667			60,877
Office equipment	6,399				-2,347			4,053
IT equipment	140,784		-		-61,105			79,679
Infrastructure	28,837,798	1,008,980	-		-3,261,726	-320,875		26,264,177
Community	1,817,554		-		-154,514	-7,526		1,655,514
Other property, plant and equipment	17,072		-		-7,389			9,683
Landfill Asset	41,178,294				-1,790,361			39,387,933
Other lease assets	848,950							848,950
Work in progress	63,553,219	7,813,683					89815.91	71,456,718
	<b>193,700,036</b>	<b>8,822,663</b>	-	-	<b>-5,363,937</b>	<b>-328,400</b>	<b>89,816</b>	<b>196,920,179</b>

Assets subject to finance lease (net carrying value)

No assets have been pledged as collateral for liabilities of the municipality for the current year and prior years.

Reconciliation of Work-in-Progress - 2023

	Included within Infrastructure	Buildings	Community assets	Total
Opening balance	71,456,718	-	-	71,456,718
Additions/capital expenditure	3,077,727	-	-	3,077,727
Transferred to completed items	-1,008,980	-	-	-1,008,980
	<b>73,525,465</b>	-	-	<b>73,525,465</b>

The following projects are identified as terminated projects

Construction of Sewer Reticulation Pump station and rising main to Treatment Plant in Grootdrink

Reason for Cancellation

Termination due to non performance

Amount

8,641,044

	2023	Restated 2022
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Included in Statement of Financial Performance</b>		
Buildings		58,041
Infrastructure		30,895
Vehicles		44,399
Other Property, plant and Equipment		7,002
	-	<b>140,337</b>

#### 4. Disclosure Note: Fleet Seized by Sheriff Due to Pending Litigation

We wish to inform stakeholders about a unique circumstance involving our fleet of assets. The fleet has been seized by the Sheriff as part of an ongoing litigation process. This note provides details about the situation, the accounting treatment, and the potential impact on our financial statements.

##### Background:

The fleet of assets, which remains a part of our asset register, has been seized by the Sheriff in connection with pending litigation. This action was taken in an effort to address legal claims against the entity.

##### Ownership and Pending Case:

Despite the seizure by the Sheriff, legal ownership of the fleet still rests with our entity. The assets remain listed in our asset register because we maintain legal title. The pending case on the fleet is indicative of the uncertainty surrounding the ownership and usage of these assets.

##### Economic Benefits and Pending Resolution:

While the entity is not currently deriving economic benefits from the fleet due to the ongoing litigation, potential future economic benefits could arise if the case is resolved in our favor. The assets' economic potential remains contingent upon the resolution of the litigation process.

##### Accounting Treatment:

Given the unique circumstances surrounding the seized fleet, we have carefully considered the accounting treatment in accordance with relevant accounting standards. As ownership is retained and there remains a possibility of future economic benefits, the fleet has been maintained within our asset register. However, it's important to note that the carrying value of the fleet may be subject to reassessment based on the outcome of the litigation.

##### Transparency and Disclosure:

We are committed to transparency in financial reporting. This disclosure is intended to provide stakeholders with a clear understanding of the situation and the related accounting treatment. The future resolution of the litigation will likely have an impact on our financial statements, and we will continue to monitor the situation closely.

##### Future Developments:

We will continue to closely monitor the progress of the pending litigation and will adjust our accounting treatment as necessary based on the final outcome. Any updates or changes will be communicated to stakeholders as appropriate.

We appreciate your understanding and support as we navigate this unique situation. Should you have any inquiries or require further information, please do not hesitate to contact our financial reporting team.

#### 5. Other financial assets

##### At amortised cost

##### Unlisted Investments

First National Bank - Branch: Groblershoop, Account number 711297993876	143,372	136,259
<b>Interest rate: 6,38%, Investment term is 12 months</b>		

No investment have been pledged as collateral for liabilities of the municipality

#### 6. Inventories

##### Inventories

Water	-	20,372
	<b>21,398</b>	<b>20,372</b>

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials. Inventory are recorded through the adjustment journals set off against repairs and maintenance expenses. The inventory in the store is part of a project that had been stored at the municipality by GCS

##### Inventory pledged as security

No inventories have been pledged as collateral for liabilities of the municipality

**7. Receivables from non-exchange transactions**

Rates and other taxes	-	-
Property Rates	17,783,374	13,859,254
Impairment	-2,737,511	-2,737,511
Housing Suspense Debtor	-	-
Various controls	-	-
Sundry Debtors	2,697,504	2,696,129
Debtors not yet allocated	-273,589	-273,589
	<u>17,469,778</u>	<u>13,544,283</u>

**8. VAT receivable/ (payable)**

VAT receivable	6,961,501	7,355,725
VAT payable	-	-
	<u>6,961,501</u>	<u>7,355,725</u>

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

**9. Trade and other receivables from exchange transactions**

**Gross balances**

Water	34,088,081	29,507,868
Sewerage	21,109,111	17,752,317
Refuse	30,694,760	26,010,789
Agriculture	-	-
Business and Commercial	-	-
National Government	-	-
Debtors with credit balances	2,794,338	2,719,742
Other debtors	4,158,658	3,868,961
VAT debtors	-	-
	<u>92,844,948</u>	<u>79,859,678</u>

**Less: Allowance for impairment**

Water	-18,307,101	-18,307,101
Sewerage	-10,697,960	-10,697,960
Refuse	-16,066,153	-16,066,153
Other debtors	-7,237,838	-7,237,838

**Net balance**

	<u>-52,309,052</u>	<u>-52,309,052</u>
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Water	15,780,980	11,200,767
Sewerage	10,411,151	7,054,357
Refuse	14,628,607	9,944,636
Other debtors	-3,079,179	-3,368,877
Unallocated Debtors	2,794,338	2,719,742
	<u>40,535,897</u>	<u>27,550,626</u>

Less: Debtors with credit balances

	-	-
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**Net balance of trade and receivables from exchange transaction**

	<u>40,535,897</u>	<u>27,550,626</u>
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Age analysis as per services (segments) excluding debtors with credit balances.

**Rates**

Current (0 -30 days)	-2,511,189	-1,403,789
31 - 60 days	35,043	141,304
61 - 90 days	35,043	88,647
91 - 120 days	35,043	80,791
121 - 365 days	20,868,816	16,289,158.18
> 365 days		
	<b>18,462,755</b>	<b>15,196,111</b>

**Water**

Current (0 -30 days)	313,216	259,659
31 - 60 days	326,560	352,693
61 - 90 days	329,558	307,839
91 - 120 days	318,241	359,377
121 - 365 days	36,038,259	20,365,431
> 365 days		
Less Impairment		
	<b>37,325,833</b>	<b>21,644,999</b>

**Sewerage**

Current (0 -30 days)	181,006	197,937
31 - 60 days	221,912	220,010
61 - 90 days	224,501	219,773
91 - 120 days	223,896	244,600
121 - 365 days	21,732,251	11,964,299
> 365 days		
Less Impairment		
	<b>22,583,566</b>	<b>12,846,620</b>

**Refuse**

Current (0 -30 days)	284,046	295,624
31 - 60 days	311,422	301,298
61 - 90 days	313,783	300,532
91 - 120 days	311,881	345,190
121 - 365 days	31,347,793	17,394,411
> 365 days		-
Less Impairment		
	<b>32,568,925</b>	<b>18,637,054</b>

**Other (specify)**

Current (0 -30 days)	-1,114,173	-1,192,961
31 - 60 days	24,917	19,403
61 - 90 days	25,042	19,403
91 - 120 days	25,168	17,684
121 - 365 days	18,649,417	11,517,352
> 365 days		-
Less Impairment		
	<b>17,610,372</b>	<b>10,380,881</b>

**Total**

	<b>128,551,450</b>	<b>78,705,666</b>
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**Summary of debtors by customer classification**

**Consumers**

Current (0 -30 days)	-373,912	23,635
31 - 60 days	705,932	891,533
61 - 90 days	714,451	864,664
91 - 120 days	705,618	946,075
121 - 365 days	109,575,584	92,314,346
	<b>111,327,673</b>	<b>95,040,254</b>

**Industrial/Commercial**

Current (0 -30 days)	-133,906	-35,410
31 - 60 days	70,891	74,383
61 - 90 days	71,407	76,287
91 - 120 days	67,011	104,542
121 - 365 days	7,078,150	5,622,679
	<b>7,153,554</b>	<b>5,842,482</b>

**Churches**

Current (0 -30 days)	-15,019	-9,129
31 - 60 days	12,114	13,376
61 - 90 days	11,528	14,482
91 - 120 days	11,560	13,744
121 - 365 days	962,881	769,851
	<b>983,064</b>	<b>802,324</b>

<b>Agriculture</b>		
Current (0 -30 days)	-855,633	-199,595
31 - 60 days	2,184	51,851
61 - 90 days	2,210	2,220
91 - 120 days	2,236	2,442
121 - 365 days	<u>5,264,556</u>	<u>4,009,123</u>
	<b>4,415,552</b>	<b>3,866,041</b>
<b>National and provincial government</b>		
Current (0 -30 days)	-1,520,054	-1,544,731
31 - 60 days	32,638	39,356
61 - 90 days	32,775	22,792
91 - 120 days	31,807	19,934
121 - 365 days	<u>2,061,726</u>	<u>1,905,516</u>
	<b>638,892</b>	<b>442,868</b>
<b>Total</b>		
<b>Schools</b>		
Current (0 -30 days)	-40,492.98	-22,161.02
31 - 60 days	3,024.63	3,780.04
61 - 90 days	2,433.05	2,328.12
91 - 120 days	2,450.43	1,877.19
121 - 365 days	<u>390,585.43</u>	<u>264,012.30</u>
<b>Total</b>	<b>358,001</b>	<b>249,837</b>
<b>Other</b>		
Current (0 -30 days)	91,921.66	93,889.30
31 - 60 days	93,071.49	94,050.32
61 - 90 days	93,124.35	94,065.86
91 - 120 days	93,545.28	126,929.87
121 - 365 days	<u>3,303,052.09</u>	<u>2,306,943.13</u>
<b>Total</b>	<b>3,674,715</b>	<b>2,715,878</b>
Current (0 -30 days)	-2,847,095	-1,693,501
31 - 60 days	919,854	1,168,329
61 - 90 days	927,928	1,076,840
91 - 120 days	914,228	1,215,544
121 - 365 days	<u>128,636,535</u>	<u>107,192,471</u>
	<b>128,551,450</b>	<b>108,959,684</b>
<b>Less: Penalties</b>		-22,164,558
<b>Less: VAT</b>		-8,089,460
Less: Allowance for impairment		<u>128,551,450</u>
	<u>-55,046,563</u>	<u>-55,046,563</u>
	<b>73,504,887</b>	<b>23,659,103</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	-55,046,563	-43,364,580
Contributions to allowance	-	-11,681,983
Less: Bad debts written-off/Corrections	-	-
	<u>-55,046,563</u>	<u>-55,046,563</u>

#### Receivables from Non-Exchange transactions

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

#### Consumer debtors pledged as security

None of the consumer debtors were pledged as security for any financial liability.

#### Interest on consumer accounts

Interest were charged/levied on arrear consumer (debtors) accounts.

#### Consumer debtors impaired

As of 30 June 2023, consumer debtors of R 55 046 563 (2022: R55 046 563) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

#### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	377	24
Bank balances	-1,565,907	-84,756
Short-term deposits	378,260	417,382
	<u>-1,187,270</u>	<u>332,650</u>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available:



The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-23	30-Jun-22	30-Jun-21
First National Bank Branch: Groblershoop Account number: 62026193441	31,335	-1,381	59,669	-1,565,907	-84,756	51,394
First National Bank Branch: Groblershoop Account number 62150559486 - FMG/MSIG	371,014	411,672	107,495	378,260	417,382	3,026,534
First National Bank Branch: Groblershoop Account number 62304431828 - Library Account	5,750	2,628	5,356			
First National Bank Branch: Groblershoop Account number 62304432123 - LOTTO account	1,082	1,082	1,082			
First National Bank Branch: Groblershoop Account number 62102417567 - MIG Account	74	168	2,906,593			
First National Bank Branch: Groblershoop Account number 71129793876 - BUSS Eff	143,372	136,259	131,385			
First National Bank Branch: Groblershoop Account number 62364746580 - EPWP Account	341	1,833	-			
<b>Total</b>	<b>552,967</b>	<b>552,261</b>	<b>3,211,580</b>	<b>-1,187,648</b>	<b>332,626</b>	<b>3,077,928</b>

**11. Finance lease obligation**

**Minimum lease payments due**

- within one year	793,426	
- in second to fifth year inclusive	159,693	
	-	953,119
less: future finance charges		-53,435
<b>Present value of minimum lease payments</b>	-	<b>899,684</b>

**Analysis of lease liability**

- Current Portion of Lease liability	742,274	
- Non-current Portion of lease liability	157,409	
- less interest	-	-
	-	<b>899,683</b>
	-	-

Non-current liabilities	1,559,748	1,559,748
Current Liabilities	874,830	874,830
	<b>2,434,578</b>	<b>2,434,578</b>

Interest for the year 118,283

It is municipality policy to lease certain equipment under finance leases. The municipality have entered into two(2) finance leases for a period of five (5) years to lease multipurpose printers with Nashua. The lease agreement commenced 1 August 2017 and 1 January 2018 with an annual rental increase of 15% and 12.5% respectively.

## 12. Unspent conditional grants and receipts

### Unspent conditional grants and receipts comprises of:

Water Service Infrastructure Grant	2,900,251	3,688,157
Library Grant	129,309	83,489
EPWP grant	-	364,503
MIG Grants	8,527,882	7,320,179
FMG grant	-	-
	<b>11,557,084</b>	<b>11,455,971</b>

### Movement during the year

Balance at the beginning of the year	11,456,328	12,063,974
Additions during the year	21,640,000	18,420,000
Transfer to Revenue <sup>1</sup>	-16,838,876	-11,183,646
Roll-over denied and refunded	-4,700,000	-7,844,000
	<b>11,557,452</b>	<b>11,456,328</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

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

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

### 13. Provisions

Opening balance	13,811,891	52,638,744
Contribution for the year	-3,380,710	-38,826,853
Change in Provision for Rehabilitation costs	-	-
<b>Total provision</b>	<b>10,431,181</b>	<b>13,811,891</b>

#### Reconciliation of provisions – 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	-13,811,891	3,380,710	-10,431,181
	<b>-13,811,891</b>	<b>3,380,710</b>	<b>-10,431,181</b>

#### Reconciliation of provisions – 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	52,638,744	-38,826,853	13,811,891
	<b>52,638,744</b>	<b>-38,826,853</b>	<b>13,811,891</b>

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrastructure to the existing landfill.

In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the SMEC was used. This resulted in a significant decrease in the provision.

A land survey of each site was undertaken on 24 and 25 July 2023. As no control disposal is taking place, no waste data is available for any of these sites. The desktop-based portion of the methodology calculated the costs based on the needs at each site. Rehabilitation costs were estimated using criteria for closure detailed in the Minimum Requirements (1998) together with the rehabilitation of each area adjacent to each landfill.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). This provision adjusted according to new calculation by Consulting Engineers.

None of the five landfill sites is properly demarcated, fenced and waste disposal is not controlled. Offloading of waste is done along the access roads in the vicinity of the landfill sites. As a result, large areas adjacent to the landfill sites is covered with waste and these areas will have to be rehabilitated before landfill closure will be approved. This uncontrolled waste disposal has a significant effect on the rehabilitation cost of the landfill sites.

Some of the landfill sites are almost at full capacity.

Rehabilitation and closure report was compiled by SMEC appointment by the Council

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

Opening balance	13,811,891	52,638,744
Change in landfill closure	-5,433,080	-38,826,853
Interest Charge	2,052,370	-
	<b>10,431,181</b>	<b>13,811,891</b>

#### Restatement

Balance as previously reported	-	54,611,266
Prior Period adjustments	-	-40,799,375
<b>Restated Balance</b>	<b>-</b>	<b>13,811,891</b>

#### 14. Employee benefit obligations

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

##### Carrying value

Long term portion to current liabilities	-2,011,000	-1,998,000
Current portion to current liabilities	-250,000	-246,000
	<u>-2,244,000</u>	<u>-2,244,000</u>

Non-current Liabilities	-2,011,000	-1,998,000
Current liabilities	-250,000	-246,000
	<u>-2,261,000</u>	<u>-2,244,000</u>

##### Net expense recognised in the statement of financial performance

Current service cost	250,000	246,000
Interest cost	255,000	184,000
Actuarial (gains) losses	-343,795	-145,521
	<u>161,205</u>	<u>284,479</u>

##### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.04%	11.28%
General earnings inflation rate (long-term)	6.33%	7.58%
Net Effective discount rate	3.46%	2.49%

#### 15. Payables from exchange transactions

Accrued leave pay	3,375,539	3,328,673
Accrued bonus	926,642	888,277
Unknown Deposits	1,213,878	924,167
Payment received in advanced - Unallocated deposits		
Retention creditors	4,795,784	3,683,821
Suspense creditors	2,206,198	1,942,653
Trade payables	35,229,916	30,292,832
3rd Party payments	15,351,662	21,206,198
	<u>63,099,618</u>	<u>62,266,621</u>

Payables are being recognised net of any discounts. The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Debtors with credit balances represents payments received in advance.

#### 16. Current portion of borrowings

DBSA loan - Short term portion	-	-
Nashua leases - Short term portion	874,830	874,830
	<u>874,830</u>	<u>874,830</u>

**17. Consumer deposits**

Water	116,716	116,716
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The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

**18. Revenue**

Sale of goods	145,379	231,170
Service charges	9,254,145	10,685,967
Rental of facilities and equipment	182,328	224,154
Interest received - Consumer accounts	5,586,788	5,918,549
Licences and permits	9,740	185,092
Other income	918,894	422,119
Interest received - investment	34,936	58,520
Property rates	5,932,890	5,146,853
Government grants & subsidies	54,296,686	40,175,926
Recoveries	-	-
	<b>76,361,786</b>	<b>63,048,350</b>

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

Interest received - Consumer accounts	5,582,893	5,913,831
Interest received - investment	34,936	58,520
Licences and permits	9,740	185,092
Other income	918,894	422,119
Recoveries	-	-
Rental of facilities and equipment	182,328	224,154
Sale of goods	145,379	231,170
Service charges	9,254,145	10,685,967
	<b>16,128,314</b>	<b>17,720,854</b>

**The amount included in revenue arising from non-exchange transaction****are as follows:**

<b>Taxation revenue</b>		
Property rates	5,932,890	5,146,853
Interest received - Consumer accounts	3,895	4,718
<b>Transfer revenue</b>		
Government grants & subsidies	54,296,686	40,175,926
	<b>60,233,471</b>	<b>45,327,497</b>

**19. Property rates****Rates received**

Commercial	2,439,712	1,364,987
Residential	1,574,304	827,846
State	169,083	420,831
Small holdings and farms	1,749,791	778,167
	<b>5,932,890</b>	<b>3,391,831</b>

**Valuations**

Residential	128,378,100	128,378,100
Commercial	30,287,800	30,287,800
State	47,408,000	47,408,000
Municipal	35,015,900	35,015,900
Small holdings and farms	2,296,872,100	2,296,872,100
Public Worship	12,513,000	12,513,000
Other - Vacant land	5,443,000	5,443,000
	<b>2,555,917,900</b>	<b>2,555,917,900</b>

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2021.

No supplementary valuations had been processed on an properties for the financial year under review.

Rates are levied on an annual basis with the final date for payment being 30 June 2023

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.0128c/R (2022: 0.0122c/R)  
 Business Properties: 0.0160c/R (2022: 0.0153c/R)  
 Agricultural Properties: 0.000750c/R (2022: 0.000714c/R)  
 State Properties: 0.0032c/R (2022: 0.0031,c/R)

The first R 15 000 (2022: R 15 000) of the valuation of all residential properties are exempted from the calculation of rates, inline with the the property rates act.

**20. Service charges**

Refuse removal	3,416,202	3,944,576
Sale of water	3,420,474	3,817,741
Sewerage and sanitation charges	2,442,572	2,952,676
	<b>9,279,248</b>	<b>10,714,993</b>

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs

## 21. Government grants and subsidies

### Operating grants and subsidies

Equitable Share	33,197,000	27,602,000
Finance Mangement Grant	3,000,000	3,000,000
Library Grant	954,180	871,158
EEDSM Grant	-	-
Auditor General - National Treasury	4,067,735	1,390,280
Coghsta: Donation of Water meters	193,065	-
	<u>41,411,979</u>	<u>32,863,438</u>

### Capital grants

Municipal Infrastructure Grant (MIG)	8,475,145	6,648,336
Water Service Infrastructure Grant	3,287,906	-
Expanded Public Works Programme (EPWP)	1,121,655	664,152
	<u>12,884,707</u>	<u>7,312,488</u>
	<u>54,296,686</u>	<u>40,175,926</u>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	16,838,887	11,183,646
Unconditional grants and subsidies received	37,457,799	28,992,280
	<u>54,296,686</u>	<u>40,175,926</u>

### Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R469,14 (2022: R 447,66), which is funded from the grant.

### Coghsta: Donantion of Water Meters

The meters had been donated by GCS through the Coghsta town establishment project

### MIG Grant

Balance unspent at beginning of year	7,320,179	10,763,871
Current-year receipts	11,567,000	11,040,000
National Treasury repayment	-1,884,152	-7,835,356
Conditions met - transferred to revenue	-8,475,145	-6,648,336
	<u>8,527,882</u>	<u>7,320,179</u>

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis.

### Water Service Infrastructure Grant

Balance unspent at beginning of year	3,688,157	1,188,157
Current-year receipts	5,000,000	2,500,000
National Treasury repayment	-2,500,000	-
Conditions met - transferred to revenue	-3,287,906	-
	<u>2,900,251</u>	<u>3,688,157</u>

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.



**Expanded Public Works Programme (EPWP)**

Balance unspent at beginning of year	364,503	48,655
Current-year receipts	1,073,000	980,000
National Treasury repayment	-315,848	-
Conditions met - transferred to revenue	-1,121,655	-664,152
	<u>-0</u>	<u>364,503</u>

The grant is to utilised for salary expenses in regards to the expanded public works programme. The grant is in regards to the upgrading of the municipal offices. Grants received for the upgrading of the municipal offices and upgrading of internal streets.

**Finance Management Grant**

Balance unspent at beginning of year	-	4,421
Current-year receipts	3,000,000	3,000,000
National Treasury repayment	-	-4,421
Conditions met - transferred to revenue	<u>-3,000,000</u>	<u>-3,000,000</u>
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**Library Grant**

Balance unspent at beginning of year	83,489	58,870
Current-year receipts	1,000,000	900,000
National Treasury repayment	-	-4,223
Conditions met - transferred to revenue	<u>-954,180</u>	<u>-871,158</u>
	<u>129,309</u>	<u>83,489</u>

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

The grant is to utilised for the programme cost of the library and other costs as per the library proposal.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

**22. Other revenue**

Other income	918,894	422,119
	<u>918,894</u>	<u>422,119</u>

**Other income**

Administrative handling fees	-	-
Masakhane		
Building Plan fees	17,614	11,053
Bursary repayment	-	-
Cemetaries	3,955	3,019
Commission	7,270	27,477
Clearance Certificates	442,371	39,373
Faxes		
Graves fees		
Grazing fees		
Hawkers Licenses/Market fees	69,300	72,836
Other charges	78,326	-
Prepaid electricity	243,985	207,885
Photocopies	174	-
Prove of residence/Printing	21,666	8,789
Sewerage	25,103	29,026
Tender documents	9,130	22,660
Transport		
Valuation Certificates		
	<u>918,894</u>	<u>422,119</u>

**23. General expenses**

Administrative Costs	-	-
Advertising	17,765	24,665
Auditors remuneration	2,871,484	2,814,955
Bank charges	51,285	61,518
Chemicals	34,161	9,076
Cleaning	-	-
Computer expenses	202,600	394,377
Consulting and professional fees	1,546,360	2,406,558
Community development and training	44,756	-
Electricity	2,271,298	2,580,983
Entertainment	2,426	1,544
Fuel and oil	101,971	155,691
Insurance		
Prepaid electricity	248,655	217,391
Daily Allowances	44,391	21,370
Other expenses	1,021,914	533,653
Postage and courier	-	2,323
Printing and stationery	74,455	74,586
Uniforms and Protective clothing	17,531	1,437
Royalties and license fees	21,804	614,384
Repairs and maintenance	55,030	173,900
Idigent Relief & Temporary workers	115,645	403,570
Security ( Guarding of municipal property)	5,217	5,703
Subsistance Allowances	31,601	38,690
Subscriptions and membership fees	909,187	844,603
Telephone and fax	156,623	542,530
Transfers and grants: Operational expenditure	-	-
Travel - local	163,587	51,332
	<b>10,009,745</b>	<b>11,974,839</b>

**24. Employee related costs**

Basic	21,554,414	22,002,309
Bonus	1,694,666	1,375,270
Housing benefits and allowances	141,513	177,778
Leave pay provision charge	274,325	214,765
Medical aid-company contributions	716,558	787,167
Pensionfund Contributions	3,069,634	2,969,740
Overtime	14,525	9,456
Skills Development Levies	340,833	291,668
Training Levies	-	-
Travel, motor car, accomodation, subsistence and other allowances	2,922,150	2,800,364
UIF	200,246	203,640
Bargaining Allowance	12,290	12,315
Standby Allowance	121,920	117,272
	<u>31,063,075</u>	<u>30,961,744</u>

**Remuneration of Acting Municipal Manager -JTF Leeuw**

Annual Remuneration	-	555,204
Car Allowance	-	111,041
Housing	-	42,000
Cellphone Allowance	-	14,000
Contributions to UIF, Medical and Pension Funds	-	1,062
	-	<u>723,307</u>

**Remuneration of Chief Finance Officer - JD Block**

Annual Remuneration	748,281	725,078
Arrears Salary Payment	-	-
Bonus	63,324	60,423
Car Allowance	261,898	253,776
Cellphone Allowance	14,400	12,000
Contributions to UIF, Medical and Pension Funds	67,089	58,572
Skills Development Levy	10,742	10,341
	<u>1,165,733</u>	<u>1,120,190</u>

**Remuneration of Acting Corporate Manager**

Annual Remuneration	-	-
Arrears Salary Payment	-	-
Bonus	-	-
Car Allowance	-	-
Cellphone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

**Remuneration of Technical Director - D Dolopi**

Annual Remuneration	748,281	725,078
Bonus	66,224	60,423
Car Allowance	261,898	253,776
Cellphone Allowance	14,400	12,000
Contributions to UIF, Medical and Pension Funds	12,633	4,248
Skills Development Levy	10,440	-
	<b>1,113,876</b>	<b>1,055,525</b>

**Remuneration of Community Service Director - F van Eck**

Annual Remuneration	808,595	785,501
Car Allowance	283,723	274,920
Cellphone Allowance	14,400	12,000
Contributions to UIF, Medical and Pension Funds	4,380	4,248
	10,500	
	<b>1,121,597</b>	<b>1,076,669</b>

**25. Remuneration of councillors**

Mayors	658,021	854,453
Councillors	2,431,414	2,050,157
Travelling Allowance	769,426	557,523
Cellphone and other allowance	441,000	333,000
	<b>4,299,861</b>	<b>3,795,134</b>

**In-kind benefits**

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

**26. Debt impairment**

Debt impairment	-	11,681,983
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**27. Interest earned - External invest****Interest received from receivables**

Receivables	5,586,788	5,918,549
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**Interest revenue**

Bank	34,936	58,520
	<b>5,621,724</b>	<b>5,977,069</b>

**28. Depreciation and amortisation**

Property, plant and equipment	<u>6,805,548</u>	<u>5,359,382</u>
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**29. Finance costs**

Payables	1,946,714	1,169,430
Non-current employee benefits	255,000	184,000
Provision for rehabilitation of landfill sites	<u>2,052,370</u>	<u>-</u>
	<u>4,254,085</u>	<u>1,353,430</u>

**30. Auditors' remuneration**

Fees	<u>2,871,484</u>	<u>2,814,955</u>
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**31. Bulk purchases**

Water	<u>1,868,303</u>	<u>1,904,454</u>
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**32. Cash generated from operations**

Refer to cash flow

**33. Impairment of assets****Impairments**

Property, plant and equipment	<u>111,881</u>	<u>332,955</u>
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**34. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

Commitment as at 30 June 2023 (VAT inclusive)	<u>27,592,430</u>	<u>35,659,904</u>
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**Total capital commitments**

Already contracted, but not provided for (VAT Inclusive)	<u>27,592,430</u>	<u>35,659,904</u>
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This committed expenditure relates to construction of property, plant and equipment and will be financed by available bank facilities, accumulated surplus, existing cash resources, funds internally generated and funding received from National Treasury and other government institutions.

**35. Contingencies**

The Municipality is currently involve in the following court cases relating to claims against the municipality. These matters deals with litigations against the municipality for the following:

- 1) SAMWU obo Baster and Jacobs: The estimated cost amount to R 5 27 664,92

**36. Related parties**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**36.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationship with businesses as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Relationship</b>	<b>Related Party</b>
<b>Newly elected council 2021</b>			
Cllr RV Christie	Mayor	Member of municipal council	None
Cllr K Esau	Speaker	Member of municipal council	None
Cllr D Jacobs	Councillor	Member of municipal council	None
Cllr A Ludick	Councillor	Member of municipal council	None
Cllr K Boer	Councillor	Member of municipal council	None
Cllr H van Wyk	Councillor	Member of municipal council	None
Cllr J Lodewyk	Councillor	Member of municipal council	None
Cllr J Jooste	Councillor	Member of municipal council	None
Cllr P Vries	Councillor	Member of municipal council	None
Cllr M Malgas	Councillor	Member of municipal council	None
Cllr J Ballies	Councillor	Member of municipal council	None
<b>Outgoing council 2021</b>			
Cllr AL Diergaardt	Mayor	Member of municipal council	None
Cllr S Esau	Councillor	Member of municipal council	None
Cllr J Silo	Councillor	Member of municipal council	None
Cllr A Tobias	Councillor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr E Cloete	Councillor	Member of municipal council	None
Cllr G Beukes	Councillor	Member of municipal council	None
<b>Senior managers</b>			
JD Block	Chief Financial Officer	Member of key management	Shya's financial services: Director
D Dolopi	Technical Director	Member of key management	Member of Press A Phanda Solutions
SC van Eck	Community Service Director	Member of key management	None

**Related Person**

<b>Employee cost</b>	<b>2023</b>	<b>2022</b>
G Cloete	-	157,252
R Jansen	160,505	350,464
	<b>160,505</b>	<b>507,716</b>

### 36.2 Service rendered to Related Parties.

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

#### Related party transactions

##### Related Party Council arrear accounts

Cllr. A Diergaardt	Outgoing councilor	Nov-21	-	6,583
Cllr. K Esau			76,036	67,961
Cllr. E Cloete	Outgoing councilor	Nov-21	-	40,692
Cllr. S Esau	Outgoing councilor		-	32,998
Cllr M Malgas			4,600	2,391
Cllr J Lodewyk			65,760	58,143
Cllr P Vries			57,207	58,949
Cllr H van Wyk			61,576	56,841
Cllr K Boer			271,575	232,205
<b>Total</b>			<b>536,753</b>	<b>556,763</b>

### 36.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by IKheis Municipality.

### 37. Going concern

The following had been taken into account regarding the going concern of the AFS:

1. The position of Municipal Manager had been vacant since the dismissal of the Municipali Manager during December 2021 making it very difficult for the municipality to function properly, because the Director: Community Services and the Director: Technical Services had been acting for certain periods, neglecting some operations of council,
2. The cash flow of the municipality is making it very difficult for the municipality to meet commitments in line with the MFMA, resulting increases in fruitless and wasteful expenditure,
3. Salaries had not been paid for long periods of the financial year, making cooperation from officials very difficult,
4. The debtors age analysis is growing without any positive response from the communities.
5. The municipality owed 3rd parties (Pension fund and others. Payments to creditors are causing interest due to non payment, based on the cash flow of the municipality.
6. The Municipality's application for roll over to National Treasury had been rejected for the third consecutive year which results in a additional deduction of R7.2 million from this year's equitable shares
7. The cash reserves of the municipality is in decline and showed only R552 967 (2022: R552 261)
8. Assets of the municipality used to provide basic services are still attached by the court as a result of a litigation judgement against the municipality rendering the municipality incapable of fulfilling its mandate to provide basic services. The full extent of litigations and claims against the municipality that was paid and / or offset against the municipal bank account including SARS for the year under riew had been calculated as follows: SARS R10 587 416.50, Nashua: R3 147 856.41.

### 38. Events after the reporting date

No events are known at time of submission of annual financial statement that may have a material impact on IKheis Municipality's going concern.

### 39. Prior period errors

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.

#### Related party: Service rendered to Related Parties and Employee related cost.

The related party amounts disclosed in the prior year AFS did not agree with the registers disclosed. We corrected the amount disclosed and the registers to be in line with each other.

#### Employee benefits: Current and Non-current portion.

Employee benefits disclosed in the previous year did not show the movement of the 2022 Financial year. The adjustment is to correctly disclose the movement for the year.

#### Other income: Disclosure.

Other incomes disclosed had a mathematical error. The restatement relates to the correction of the error. Vat that relate to electricity was not correctly allocated. Cash sales of sewerage were incorrectly disclosed under service charges.

#### Payables from exchange transactions.

Trade payables were incorrectly disclosed under Receivables from non-exchange transactions: Sundry Debtors. Salary and bonus provision adjustment for the reinstatement of employee according to CCMA. Recognise provision for settlement agreement. Leave provision restated in line with restated register. Update trade and other payables with outstanding invoices that were not reported. Update retention payables.

#### Receivables from non-exchange transactions.

Trade payables were incorrectly disclosed under Receivables from non-exchange transactions: Sundry Debtors. Debtors not yet allocated has been reviewed and allocated correctly. Reallocate fruitless and wasteful expenditure to finance costs.

#### Finance cost.

Employee benefits: Long service awards restated the finance cost portion has been included. Relocate fruitless and wasteful to finance cost.

#### Employee related cost.

Recognise movement in provision of long service awards. Salary and bonus provision adjustment for the reinstatement of employee according to the CCMA. Recognise provision for settlement agreement. Employee related cost restated in line with restated leave register.

#### VAT Receivable.

Vat that relate to other income was not correctly calculated and disclosed. Update the VAT input control account with invoices that were not reported.

#### Provisions for landfill sites.

Restate the previous years disclosure which was not supported. The municipality appointed an engineer to reperform the valuation and rehabilitation of the landfill sites

#### Trade and other receivables from exchange transactions.

Restate the previous years disclosure which was not supported. The balance of debtors with credit balances has been reviewed and correctly allocated.

#### Property, plant and equipment

Update the WIP with outstanding creditors invoices that were not reported. Update WIP with retention. Reallocate repairs and maintenance payments.

#### General Expenditure

Update general expenditure with outstanding creditors invoices that were not reported. Reallocate expenditure from PPE.

#### Service charges

Other income incorrectly disclosed under service charges has been correctly allocated and disclosed.

#### Rental of facilities

Cemeteries and bariels and has been correctly allocated to other income.

#### Cash and cash equivalents

Update cashbook with payments that has not been reported.

#### Additional disclosure in terms of Municipal Finance Management Act

Disclosure note has been correct in line with the support.

#### Government grants and subsidies: Operational grants and subsidies

Audit fees paid by NT on half on the municipality has been correctly disclosed under this disclosure note.

#### Disclosure: Irregular expenditure

The municipality inspected the full population and concluded the irregular expenditure reported need to be amended.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	As Previously reported	Correction of error		2022 Restated
Property, plant and equipment	196,830,362	89,816	-	196,920,178
Vat receivable/ Payable	7,317,906	37,819	-	7,355,725
Receivables from exchange transactions'	34,879,136	-7,328,510	-	27,550,626
Cash and cash Equivalents	500,353	-167,703	-	332,650
Other receivables from non-exchange transactions	5,024,264	8,520,019	-	13,544,283
Payables from exchange transactions	-56,879,228	-5,387,393	-	-62,266,621
Non-Current Employee benefit Obligation	-2,075,000	77,000	-	-1,998,000
Current Employee benefit Obligation	-	-246,000	-	-246,000
Provision for landfill site Rehabilitation	-54,611,266	40,799,375	-	-13,811,891
Accumulated surplus	-120,841,838	-37,004,049	-	-157,845,887
	<b>10,144,689</b>	<b>-609,626</b>	-	<b>9,535,062</b>



<b>Statement of financial performance</b>	<b>As Previously reported</b>	<b>Correction of error</b>	<b>2022 Restated</b>
Rental of facilities and equipment	227,173	-3,019	224,154
Service charges	10,714,993	-29,026	10,685,967
Other income	421,257	862	422,119
Employee related Costs	-29,975,456	-986,288	-30,961,744
Bulk Purchases	-2,220,340	315,886	-1,904,454
General expenditure	-11,447,705	-527,134	-11,974,839
Finance Costs	-1,972,522	619,092	-1,353,430
	<b>-34,252,600</b>	<b>-609,626</b>	<b>-34,862,226</b>
<b>Disclosures</b>	<b>As Previously reported</b>	<b>Correction of error</b>	<b>2022 Restated</b>
Fruitless expenditure	10,987,056	64,016	11,051,072
Irregular expenditure	34,002,205	569,043	34,571,248
Deviations from supply chain management regulations	712,100	66,025	778,125
Related party balances: Employee Benefits	350,464	157,252	507,716
Related party council arear accounts	535,370	21,392	556,762
MFMA additional disclosure notes PAYE, SDL and UIF	3,274,785	-144,508	3,130,277
Financial Instruments - Financial Assets		-	
Financial Instruments - Financial Liabilities		-	
Other income	366,302	55,817	422,119
MFMA additional disclosure notes Audit Fees	9,762,768	-3,829,561	5,933,207
MFMA additional disclosure notes Pension dedcutions	11,771,905	18,621,834	30,393,739
MFMA additional disclosure notes Medical Aid	61,236	124,753	185,989
MFMA additional disclosure notesSALGA	3,384,952	7,205	3,392,157
Government grants and subsidies: Operational grants and subsidies	31,473,158	1,390,280	32,863,438
	<b>106,682,301</b>	<b>17,103,548</b>	<b>- 123,785,849</b>

#### 40. Comparative figures

The reporting period is for a year, therefore comparative amounts are comparable to the current balances.

#### 41. Unauthorised expenditure

Opening balance		47,722,360	46,419,972
<b>Opening balance as restated</b>		<b>47,722,360</b>	<b>46,419,972</b>
Add: Unauthorised expenditure		-	1,302,388
Condoned		-	-
<b>Closing balance</b>		<b>47,722,360</b>	<b>47,722,360</b>

#### Detail Summary of Unauthorised Expenditure

	R (Actual)	R (Budget)	R (Variance)	R (Unauthorised)
Office of the Municipal Manager	-	-	-	-
Corporate Services	-	-	-	-
Financial Services	21,279,405	42,850,142	21,570,737	
Technical Services	2,264,916	3,706,062	1,441,146	
Planning & Development	599,103	884,006	284,903	-
Waste Management	3,639,617	7,578,263	3,938,646	
Council	5,494,892	9,138,877	3,643,985	
Water Management	8,729,838	9,370,748	640,910	
Community Services	1,105,846	1,182,243	76,397	-
Traffic Services	-	137,983	137,983	
	<b>43,113,618</b>	<b>74,848,324</b>	<b>31,734,706</b>	<b>-</b>

No unauthorised expenditure is being disclosed for the year under review

#### 42. Fruitless and wasteful expenditure

Opening balance as previously reported		11,051,072	8,485,953
<b>Opening balance as restated</b>		<b>11,051,072</b>	<b>8,485,953</b>
Add: Expenditure identified - current		2,035,311	2,565,119
Add: Expenditure identified - Prior year		-	-
Condoned		-	-
		<b>13,086,383</b>	<b>11,051,072</b>

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Incident	Disciplinary steps/ criminal proceedings
<i>Interests and penalties - Telkom - Interests and penalties</i>	None
<i>Interests and penalties - SARS - Interests and penalties on</i>	None
<i>Interests and penalties - Escom - Interests and penalties</i>	None
<i>Interests and penalties - Auditor General</i>	None
<i>Interests and penalties - Other</i>	None

Total

- -

The amount of fruitless and wasteful expenditure for 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/20 and 2020/21 consists of interest and

#### 43. Irregular expenditure

Opening balance as previously reported	34,571,248	33,847,907
Correction of prior period error	-	-
<b>Opening balance as restated</b>	<b>34,571,248</b>	<b>33,847,907</b>
Add: Irregular expenditure - current	2,063,865	723,341
Prior period error	-	-
Add: Irregular expenditure identified in Prior year	-	-
Less: Amounts condoned or transferred to debtors	-	-

<b>36,635,113</b>	<b>34,571,248</b>
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Details of irregular expenditure - current year and prior year

Incident	Disciplinary steps/ criminal proceedings		
2023: Suppliers not registered on CSD	None	114,756	114,756
2023: Preferred service provider: SCM processes not followed	None	1,949,109	1,949,109
2022: Fraudulent company used for procurement of services	Disciplinary steps taken and employees dismissed		-
2022: Irregular appointment of consultants, etc	None	-	-
2021: Conditional grant not met	None	-	-
Transferred: 2021			-
		<b>2,063,865</b>	<b>2,063,864.53</b>

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	3,392,157	2,884,952
Current year fee	500,000	500,000
Additional fees	-	7,205
Amount paid - current year	-	-
	<b>3,892,157</b>	<b>3,392,157</b>

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

Opening balance	5,933,207	4,708,965
Current year audit fee	<b>3,302,206</b>	3,371,125
Interest Charged	679,017	370,722
Adjusted amount		-1,127,325
Amount paid - current year	-4,067,735	-1,390,280
	<b>5,846,696</b>	<b>5,933,207</b>

PAYE and UIF - [MFMA 125 (1)(c)]

Opening Balance	3,130,277	6,649,500
Current year fee	5,026,401	4,887,284
Amount paid - current year	-12,155,472	-8,406,506
Adjusted amount - current year	3,993,692	
	<b>-5,101</b>	<b>3,130,277</b>

Pension Deductions - [MFMA 125 (1)(c)]

Opening Balance	13,486,596	16,907,143
Current year fee	4,604,451	16,135,383
Amount paid - current year	-384,717	-2,648,787
	17,706,330	30,393,739

Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening Balance	67,247	118,742
Current year fee	1,338,539	1,300,461
Amount paid - current year	-1,185,168	-1,233,215
	220,618	185,989

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

VAT Receivable	-2,383,216	1,329,971
Amount refunded - current year	2,370,292	-1,329,971
	<u>-12,924</u>	<u>-</u>

VAT output payables and VAT input receivables are shown in note 9.

VAT returns have been submitted from July 2021 till January 2022. The VAT returns outstanding at the time of compiling the AFS for 2022/23.

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be

**45. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of

2023	Total	Single Supplier	Impossible	Impractical	Emergency
	1,379,731.01	89,778.60	719,309.51	491,933.38	78,709.52
	<u>1,379,731.01</u>	<u>89,778.60</u>	<u>719,309.51</u>	<u>491,933.38</u>	<u>78,709.52</u>

2022	Total	Single Supplier	Impossible	Impractical	Emergency
	778,125.00	37,209.00	547,834.00	48,782.00	144,300.00

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	2023	2022
<b>Investments</b>			
Unlisted Investments	Financial Instruments at fair value	-	-
FNB	Financial Instruments at cost	143,372	105,730
Fixed Deposits - FNB	Financial Instruments at amortised cost		
<b>Long-term Receivables</b>			
Receivables with repay arrangements	Financial Instruments at amortised cost	-	-
Sport Club Loans	Financial Instruments at amortised cost	-	-
Housing Loans	Financial Instruments at amortised cost	-	-

**Receivables from Exchange Transactions**

Water	Financial Instruments at amortised cost	34,088,081	14,085,293
Sewerage	Financial Instruments at amortised cost	21,109,111	8,171,287
Refuse	Financial Instruments at amortised cost	30,694,760	12,355,336
Other debtors	Financial Instruments at amortised cost	4,158,658	3,765,347
VAT debtors	Financial Instruments at amortised cost	-	-

**Receivables from Non-Exchange Transactions**

Various controls	Financial Instruments at amortised cost	14,772,273	880,866
Sundry Debtors	Financial Instruments at amortised cost	2,697,504	1,856,782

**Cash and Cash Equivalents**

Bank Balances	Financial Instruments at amortised cost	(1,565,907)	(84,756)
Call Deposits	Financial Instruments at amortised cost	378,260	417,382

**Total Financial Assets**

<b>106,476,112</b>	<b>41,553,268</b>
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<b>2023</b>	<b>2022</b>
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**SUMMARY OF FINANCIAL ASSETS****Financial Instruments at amortised cost:**

Investments	FNB	143,372	105,730
Investments	Fixed Deposits - FNB	-	-
Receivables from Exchange Transactions	Water	34,088,081	14,085,293
Receivables from Exchange Transactions	Sewerage	21,109,111	8,171,287
Receivables from Exchange Transactions	Refuse	30,694,760	12,355,336
Receivables from Exchange Transactions	Other debtors	4,158,658	3,765,347
Receivables from Exchange Transactions	VAT debtors	-	-
Receivables from Non-exchange Transactions	Various controls	14,772,273	880,866
Receivables from Non-exchange Transactions	Sundry Debtors	2,697,504	1,856,782
Cash and Cash Equivalents	Bank Balances	(1,565,907)	(84,756)
Cash and Cash Equivalents	Call Deposits	378,260	417,382

**Total Financial Assets**

<b>106,476,112</b>	<b>41,553,268</b>
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<b>2023</b>	<b>2022</b>
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**Financial Liabilities****Classification****Long-term Liabilities**

DBSA loan	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	874,830	874,830

**Trade and Other Payables**

Trade Creditors	Financial Instruments at amortised cost	35,229,916	12,943,652
Payments received in advance	Financial Instruments at amortised cost	-	-
Retentions	Financial Instruments at amortised cost	-	-
Other Creditors	Financial Instruments at amortised cost	23,073,918	7,007,585

**Total Financial Liabilities**

<b>59,178,664</b>	<b>20,826,068</b>
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<b>2023</b>	<b>2022</b>
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**SUMMARY OF FINANCIAL LIABILITIES**

**Financial instruments at amortised cost:**

Long-term Liabilities	DBSA loan	-	-
Long-term Liabilities	Capitalised Lease Liability	874,830	874,830
Trade and Other Payables	Trade Creditors	35,229,916	12,943,652
Trade and Other Payables	Payments received in advance	-	-
Trade and Other Payables	Retentions	-	-
Trade and Other Payables	Other Creditors	23,073,918	7,007,585
<b>Total Financial Liabilities</b>		<b>59,178,664</b>	<b>20,826,068</b>

**46. 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.

**a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**b) Price Risk**

The municipality is not exposed to price risk.

**c) 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.

**d) 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Non-exchange Receivables

Rates	100.00%	17,783,374	100.00%	8,103,310
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Exchange Receivables

Water	37.85%	34,088,081	38.25%	29,507,868
Sewerage	23.44%	21,109,111	23.01%	17,752,317
Refuse	34.09%	30,694,760	33.72%	26,010,789
	<b>100.00%</b>	<b>90,050,610</b>	<b>100.00%</b>	<b>77,139,936</b>

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 17 and 18 of the financial statements is an approximation of its

The provision for bad debts could be allocated between the different classes of receivables as follow:

**e) 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.

**47.1 Financial Indicators**

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances

Unless sustainable job creation is achieved, !Kheis Municipality will not be able to function as a independent municipality without

**48. Statutory Receivables**

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

	<u>2023</u>	<u>Restated 2022</u>
<b>Taxes:</b>		
Vat Receivables	6,961,501	7,355,725

<b>Receivables from non-exchange transactions</b>	17,783,374	13,859,254
Property rates	17,783,374	13,859,254
<b>Total Statutory Receivables (before provisions)</b>	24,744,875	21,214,978
<b>Less: Provisions for debt impairment</b>	(2,737,511)	(2,737,511)
<b>Total Statutory Receivables (after provisions)</b>	22,007,364	18,477,467

Statutory Receivables arises from the following legislation:  
Taxes: - Value added tax Act (No. 89 of 1991)  
Rates: - Municipal Property Rates Act (No. 06 of 2004)  
Fines: - Criminal Procedures Act

**(Rates): Ageing**

Current 0 - 30 days	-2,511,189	-1,403,789
31 - 60 Days	35,043	141,304
61 - 90 Days	35,043	88,647
91 - 120 days	35,043	80,791
121 - 365 days	20,868,816	16,289,158
> 365 days	-	-
<b>Total</b>	<b>18,462,755</b>	<b>15,196,111</b>

**Reconciliation of Rates Provision for debt impairment**

Balance at beginning of the year	2,737,511	2,175,773
Contribution to provision	-	561,738.00
<b>Balance at year end</b>	<b>2,737,511</b>	<b>2,737,511</b>

**49. IMPAIRMENTS**

**Property, Plant and Equipment**

During the asset count and evaluation of assets, it had been found that certain infrastructure assets were damaged beyond repair and are to be impaired as they are broken and cannot be used. The recoverable amount (or recoverable service amount) of these assets were based on its fair value.  
**Total Impairment Loss/ (Reversal of Impairment Loss)**

<b>111,881</b>	<b>332,955</b>
<b>111,881</b>	<b>332,955</b>

**50 CONTINGENT ASSETS**

Management is currently in a dispute for the unauthorised appointment of the former Municipal Manager. A lawyer had been appointed to assist with the claim from the former incumbent of the

Claim against Mr Leeuw	2,147,460	2,147,460
<b>Total Contingent Assets</b>	<b>2,147,460</b>	<b>2,147,460</b>



51. SEGMENTAL INFORMATION

51. 1. SEGMENTAL INFORMATION -

Description	Cost/ Revaluation			Depreciation			Carrying Value
	Opening Balance	Additions/ Disposals	Closing Balance	Depreciation	Additions	Total Depreciation	
	R	R	R	R	R	R	R
<b>Executive and Council</b>	<b>73,136,408</b>	<b>10,160,542</b>	<b>83,296,950</b>	<b>-10,895,073</b>	<b>-350,153</b>	<b>-11,245,226</b>	<b>72,051,724</b>
<i>Executive &amp; Council</i>	73,136,408	10,160,542	83,296,950	-10,895,073	-350,153	-11,245,226	72,051,724
<b>Finance &amp; Admin</b>	<b>127,839,188</b>	<b>-3,368,707</b>	<b>124,470,481</b>	<b>-16,733,567</b>	<b>-3,871,039</b>	<b>-20,604,606</b>	<b>103,865,875</b>
<i>Finance and Administration</i>	127,839,188	-3,368,707	124,470,481	-16,733,567	-3,871,039	-20,604,606	103,865,875
<b>Waste Water Management/Sewerage</b>	<b>23,457,807</b>	<b>-</b>	<b>23,457,807</b>	<b>-22,426,033</b>	<b>-168,984</b>	<b>-22,595,017</b>	<b>862,790</b>
<i>Sewerage Mains</i>	23,457,807	-	23,457,807	-22,426,033	-168,984	-22,595,017	862,790
<b>Water Network</b>	<b>28,731,669</b>	<b>193,065</b>	<b>28,924,734</b>	<b>-24,353,098</b>	<b>-214,975</b>	<b>-24,568,073</b>	<b>4,356,661</b>
<i>Water Network</i>	28,731,669	193,065	28,924,734	-24,353,098	-214,975	-24,568,073	4,356,661
<b>Electricity Network</b>	<b>5,594,723</b>	<b>-</b>	<b>5,594,723</b>	<b>-3,024,647</b>	<b>-57,539</b>	<b>-3,082,186</b>	<b>2,512,537</b>
<i>Electricity Network</i>	5,594,723	-	5,594,723	-3,024,647	-57,539	-3,082,186	2,512,537
<b>Roads transport</b>	<b>144,867,926</b>	<b>821,388</b>	<b>145,689,314</b>	<b>-126,584,171</b>	<b>-2,087,458</b>	<b>-128,671,629</b>	<b>17,017,685</b>
<i>Roads</i>	144,867,926	821,388	145,689,314	-126,584,171	-2,087,458	-128,671,629	17,017,685
<b>Total</b>	<b>403,627,722</b>	<b>7,806,288</b>	<b>411,434,010</b>	<b>-204,016,589</b>	<b>-6,750,148</b>	<b>-210,766,737</b>	<b>200,667,273</b>

51. 2. SEGMENTAL INFORMATION - STATEMENT OF FINANCIAL PERFORMANCE

2022 Actual Income	2022 Actual Expenditure	2022 Surplus/ (Deficit)	Description	2023 Actual Income	2023 Actual Expenditure	2023 Surplus/ (Deficit)
R	R	R		R	R	R
<b>(91,964,514)</b>	<b>56,713,833</b>	<b>(35,250,681)</b>	<b>Municipal Totals</b>	<b>(67,704,267)</b>	<b>43,133,131</b>	<b>24,571,137</b>
-	-	-	<i>Executive and Council</i>	-	<b>5,494,892</b>	<b>5,494,892</b>
<b>(72,827,367)</b>	<b>19,859,914</b>	<b>(52,967,453)</b>	<i>Finance &amp; Admin</i>	<b>(47,336,551)</b>	<b>21,279,405</b>	<b>26,057,146</b>
<b>(722,689)</b>	<b>14,287,182</b>	<b>13,564,493</b>	<i>Corporate Services</i>	-	-	-
<b>(800,675)</b>	<b>1,390,803</b>	<b>590,128</b>	<i>Community Services</i>	<b>(1,000,000)</b>	<b>1,105,846</b>	<b>(105,846)</b>
<b>(16,018,129)</b>	<b>20,034,781</b>	<b>4,016,652</b>	<i>Technical Services</i>	<b>(19,357,010)</b>	<b>14,634,371</b>	<b>4,722,638</b>
<b>(1,595,654)</b>	<b>1,141,153</b>	<b>(2,736,807)</b>	<i>Road Transport</i>	<b>(10,707)</b>	<b>618,616</b>	<b>(607,909)</b>
<b>(91,964,514)</b>	<b>56,713,833</b>	<b>(35,250,681)</b>	Sub-Total	<b>(67,704,267)</b>	<b>43,133,131</b>	<b>24,571,137</b>
			<i>Revenue Foregone</i>			
<b>(91,964,514)</b>	<b>56,713,833</b>	<b>(35,250,681)</b>	<b>Total</b>	<b>(67,704,267)</b>	<b>43,133,131</b>	<b>24,571,137</b>

52. Gain on disposal of fixed assets

Property plant and equipment

109,262

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