

# **TSANTSABANE LOCAL MUNICIPALITY**



## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**TSANTSABANE LOCAL MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**Index**

---

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

**Index**

General information	3 - 4
Approval of Annual Financial Statements	5
Report of the Auditor General	
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes In Net Assets	8
Cash Flow Statement	9
Statement of comparison of budget and actual amounts - Statement of financial position	10
Statement of comparison of budget and actual amounts - Statement of financial performance	11
Statement of comparison of budget and actual amounts - Capital Expenditure	12
Statement of comparison of budget and actual amounts - Cash flow statement	12
Accounting Policies	13 - 36
Notes to the Financial Statements	37 - 111

**APPENDICES - Unaudited**

A	Schedule of External Loans	112
B	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	113
C	Statement of Remuneration of Management	114 - 115

**TSANTSABANE LOCAL MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**General information**

---

<b>Legal form</b>	NC085 - Local Municipality. The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000, and various other acts and regulations.	
<b>Jurisdiction</b>	Tsantsabane Local municipality is located in the north-eastern part of the Northern Cape Province in the ZF Mgcawu District. Cities/Towns: Postmasburg Beeshoek	
<b>Nature of business</b>	Tsantsabane Local Municipality is a South African Category B Local Municipality as defined in the Municipal Structures Act. The municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity, water, sewerage and refuse to the Community.	
<b>Capacity of local authority</b>	Low capacity (grade 2)	
<b>Municipal demarcation code</b>	NC085	
<b>Management structure</b>	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.	
<b>Municipal manager</b>	GH Mathobela	
<b>Chief Financial Officer</b>	LR Coakley	
<b>Other heads of departments</b>	Director Corporate Services	IC Nkadimang
	Director Technical Services	RV Mlangeni
	Director Community Development	JJ Theys
<b>Registered office</b>	13 Springbok Street Postmasburg 8420  Telephone: 053 313 7300 Website: <a href="http://www.tsantsabane.gov.za">www.tsantsabane.gov.za</a>	
<b>External auditors</b>	Auditor-General of South Africa Private Bag X5013 Kimberley	

**TSANTSABANE LOCAL MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**General information**

---

<b>Principle banker</b>	Standard Bank 32 Main Street Po Box 24 Postmasburg 8420	
<b>Relevant legislation</b>	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
<b>Mayor</b>	AH English	Ward 2
<b>Councillors</b>	Lottering MJ	Ward 1
	Devajee R	Ward 3
	Keoremetswe G	Ward 4
	Tonyane G	Ward 5
	Miennies D	Ward 6
	Teise L	Ward 7
	OM Mabilo	Proportional
	HA Beets	Proportional
	AJ Ruiters	Proportional
	M Van Zyl	Proportional
	D Esau	Proportional
	GE Sibiya	Proportional

**TSANTSABANE LOCAL MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**Approval of Annual Financial Statements**

---

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2023 which are set out on pages 1 to 115, in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

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

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

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year

The annual financial statements set out from pages 6, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by:

---

G.H. Mathobela  
**Municipal Manager**

---

31 August 2023  
**Date**

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023**

		Actual	
	Note	2023 R	2022 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>81,170,286</b>	<b>75,032,979</b>
Inventories	2	10,884,957	9,356,267
Receivables from Exchange Transactions	3	20,402,387	20,557,406
Receivables from Non-exchange Transactions	4	26,284,284	18,628,314
VAT Receivable	5	14,061,111	9,172,417
Cash and Cash Equivalents	6	9,537,547	17,318,576
<b>Non-Current Assets</b>		<b>786,305,826</b>	<b>735,382,973</b>
Property, Plant and Equipment	8	707,075,190	673,660,912
Intangible Assets	9	589,700	1,173,374
Investment Property	10	78,246,260	60,154,011
Heritage Assets	11	394,675	394,675
<b>Total Assets</b>		<b>867,476,112</b>	<b>810,415,952</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>494,363,911</b>	<b>417,096,437</b>
Consumer Deposits	12	3,453,033	3,442,739
Employee Benefit Liabilities	13	1,662,000	1,112,000
Payables from Exchange Transactions	14	473,550,432	389,828,833
Unspent Conditional Grants and Receipts	15	6,299,717	13,022,139
Bank Overdraft	6	1,755,474	1,755,475
Current Portion of Long-term Liabilities	16	7,643,255	7,935,251
<b>Non-Current Liabilities</b>		<b>47,784,862</b>	<b>48,917,688</b>
Long-term Liabilities	16	-	4,571,437
Employee Benefit Liabilities	17	17,963,000	16,089,000
Non-current Provisions	18	29,821,862	28,257,251
<b>Total Liabilities</b>		<b>542,148,773</b>	<b>466,014,125</b>
<b>Total Assets and Liabilities</b>		<b>325,327,340</b>	<b>344,401,827</b>
<b>NET ASSETS</b>		<b>325,327,340</b>	<b>344,401,829</b>
Accumulated Surplus / (Deficit)	19	325,327,340	344,401,829
<b>Total Net Assets</b>		<b>325,327,340</b>	<b>344,401,829</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

		Actual	
	Note	2023	2022
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	20	34,676,118	34,299,048
Fines, Penalties and Forfeits	21	337,090	216,300
Licences and Permits	22	1,103,991	1,030,130
Transfers and Subsidies	23	116,945,565	83,913,053
<b>Revenue from Exchange Transactions</b>			
Licences and Permits	22	960	960
Service Charges	24	115,116,619	115,870,608
Sales of Goods and Rendering of Services	25	896,867	739,512
Rental from Fixed Assets	26	588,616	586,727
Interest Earned	27	1,220,157	806,306
Operational Revenue	28	126,507	66,545
Gains on Non-Current Assets	39	20,989,449	15,920,302
<b>Total Revenue</b>		<b>292,001,939</b>	<b>253,449,492</b>
<b>EXPENDITURE</b>			
Employee Related Costs	29	84,621,927	75,893,225
Remuneration of Councillors	30	5,722,840	6,029,442
Depreciation and Amortisation	31	37,801,367	33,308,932
Impairment Losses	32	39,949,082	34,406,985
Finance Costs	33	18,446,038	6,462,206
Bulk Purchases	34	49,957,993	49,209,374
Contracted Services	35	31,157,004	22,397,554
Inventory Consumed	36	25,453,754	21,640,393
Operating Leases	37	7,807,602	2,594,691
Operational Costs	38	10,285,018	15,980,105
<b>Total Expenditure</b>		<b>311,202,626</b>	<b>267,922,906</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(19,200,687)</b>	<b>(14,473,414)</b>
<b>Refer to Budget Statement for explanation of budget variances</b>			

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

	Accumulated Surplus/(Deficit )	Total Net Assets
	R	R
<b>2022</b>		
Balance at 30 June 2021	373,669,931	373,669,931
Correction of Error (Note 40)	(14,794,688)	(14,794,688)
<b>Restated Balance</b>	<b>358,875,243</b>	<b>358,875,243</b>
Deficit for the year	(14,473,414)	(14,473,414)
Deficit for the year: Previously Reported	(13,200,083)	(13,200,083)
Correction of Error (Note 40)	(1,273,331)	(1,273,331)
<b>Balance at 30 June 2022</b>	<b>344,401,829</b>	<b>344,401,829</b>
<b>2023</b>		
Appropriations in 2023	126,198	126,198
Surplus/(Deficit) for the year	(19,200,687)	(19,200,687)
<b>Balance at 30 June 2023</b>	<b>325,327,340</b>	<b>325,327,340</b>



**TSANTSABANE LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023**

		Actual	
	Note	2023	2022
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		18,724,367	17,550,002
Transfers and Subsidies		81,166,662	87,844,648
External Interest Received		1,220,157	806,306
Service charges		82,817,779	86,857,063
Other Receipts		3,864,883	3,416,958
<b>Payments</b>			
Employee Related Costs		(80,614,191)	(79,059,627)
Remuneration of Councillors		(5,722,840)	(6,029,442)
External Interest Paid		(14,788,403)	(3,348,066)
Suppliers Paid		(43,925,999)	(66,983,110)
VAT Payable		(4,888,694)	(398,268)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>44</b>	<b><u>37,853,721</u></b>	<b><u>40,656,464</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>8</b>	(41,575,491)	(39,650,732)
Purchase of Intangible Assets	<b>9</b>	-	(13,125)
Proceeds on Disposal of Property, Plant and Equipment		2,897,200	18,257,720
Proceeds on Disposal of Investment Property		-	1,070,478
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(38,678,291)</u></b>	<b><u>(20,335,659)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(6,956,459)	(11,905,902)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(6,956,459)</u></b>	<b><u>(11,905,902)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(7,781,029)</u></b>	<b><u>8,414,903</u></b>
Cash and Cash Equivalents at Beginning of the year		15,563,102	7,148,199
Cash and Cash Equivalents at End of the year	<b>6</b>	7,782,073	15,563,102

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	370,000	80,291	450,291	-	450,291	-	450,291	10,884,957	10,434,666
Receivables from Exchange Transactions	35,118,561	(12,489,584)	22,628,977	-	22,628,977	-	22,628,977	20,402,387	(2,226,590)
Receivables from Non-exchange Transactions	21,218,550	(5,165,251)	16,053,299	-	16,053,299	-	16,053,299	26,284,284	10,230,985
VAT Receivable	815,935	-	815,935	-	815,935	-	815,935	14,061,111	13,245,176
Cash and Cash Equivalents	8,997,287	166,510	9,163,797	-	9,163,797	-	9,163,797	9,537,547	373,750
<b>Non-Current Assets</b>									
Property, Plant and Equipment	668,424,412	(23,187,572)	645,236,840	-	645,236,840	-	645,236,840	707,075,190	61,838,350
Intangible Assets	520,000	-	520,000	-	520,000	-	520,000	589,700	69,700
Investment Property	60,000,000	-	60,000,000	-	60,000,000	-	60,000,000	78,246,260	18,246,260
Heritage Assets	394,675	-	394,675	-	394,675	-	394,675	394,675	0
<b>Total Assets</b>	<b>795,859,420</b>	<b>(40,595,606)</b>	<b>755,263,814</b>	<b>-</b>	<b>755,263,814</b>	<b>-</b>	<b>755,263,814</b>	<b>867,476,112</b>	<b>112,212,298</b>
<b>Current Liabilities</b>									
Consumer Deposits	2,622,749	50,000	2,672,749	-	2,672,749	-	2,672,749	3,453,033	780,284
Provisions	5,919,640	-	5,919,640	-	5,919,640	-	5,919,640	1,662,000	(4,257,640)
Payables from Exchange Transactions	294,588,548	(24,534,661)	270,053,887	-	270,053,887	-	270,053,887	473,550,432	203,496,545
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	6,299,717	6,299,717
Bank Overdraft	1,870,697	-	1,870,697	-	1,870,697	(12,845)	1,857,852	1,755,474	(102,378)
Current Portion of Long-term Liabilities	7,845,169	-	7,845,169	-	7,845,169	-	7,845,169	7,643,255	(201,914)
<b>Non-Current Liabilities</b>									
Long-term Liabilities	7,651,456	2,000,000	9,651,456	-	9,651,456	-	9,651,456	-	(9,651,456)
Employee Benefit Liabilities	13,676,000	13,500,000	27,176,000	-	27,176,000	-	27,176,000	17,963,000	(9,213,000)
Non-current Provisions	21,238,837	1,350,000	22,588,837	-	22,588,837	-	22,588,837	29,821,862	7,233,025
<b>Total Liabilities</b>	<b>355,413,096</b>	<b>(7,634,661)</b>	<b>347,778,435</b>	<b>-</b>	<b>347,778,435</b>	<b>(12,845)</b>	<b>347,765,590</b>	<b>542,148,773</b>	<b>194,383,183</b>
<b>Total Assets and Liabilities</b>	<b>440,446,324</b>	<b>(32,960,945)</b>	<b>407,485,379</b>	<b>-</b>	<b>407,485,379</b>	<b>12,845</b>	<b>407,498,224</b>	<b>325,327,340</b>	<b>(82,170,884)</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	-	-	-	-	-	-	-	325,327,340	325,327,340
<b>Total Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>325,327,340</b>	<b>325,327,340</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	39,694,213	-	39,694,213	-	39,694,213	-	39,694,213	34,676,118	(5,018,095)
Fines, Penalties and Forfeits	96,467	714,125	810,592	-	810,592	-	810,592	337,090	(473,503)
Licences and Permits	1,041,407	-	1,041,407	-	1,041,407	-	1,041,407	1,103,991	62,584
Transfers and Subsidies	92,143,000	23,670,000	115,813,000	-	115,813,000	-	115,813,000	116,945,565	1,132,565
<b>Revenue from Exchange Transactions</b>									
Service Charges	128,660,985	(6,765,803)	121,895,182	-	121,895,182	-	121,895,182	115,116,619	(6,778,563)
Sales of Goods and Rendering of Services	312,239	1,038,868	1,351,107	-	1,351,107	-	1,351,107	896,867	(454,240)
Rental from Fixed Assets	517,767	-	517,767	-	517,767	-	517,767	588,616	70,849
Interest, Dividends and Rent on Land Earned	759,674	-	759,674	-	759,674	-	759,674	1,220,157	460,483
Operational Revenue	223,534	-	223,534	-	223,534	-	223,534	126,507	(97,027)
Gains on Non-Current Assets	18,515,071	-	18,515,071	-	18,515,071	-	18,515,071	20,989,449	2,474,378
<b>Total Revenue</b>	<b>281,964,357</b>	<b>18,657,190</b>	<b>300,621,547</b>	<b>-</b>	<b>300,621,547</b>	<b>-</b>	<b>300,621,547</b>	<b>292,001,939</b>	<b>(8,619,608)</b>
<b>Expenditure</b>									
Employee Related Costs	88,389,977	(6,537,311)	81,852,666	-	81,852,666	-	81,852,666	84,621,927	2,769,261
Remuneration of Councillors	5,866,956	1,639,951	7,506,907	-	7,506,907	-	7,506,907	5,722,840	(1,784,067)
Depreciation and Amortisation	20,140,104	-	20,140,104	-	20,140,104	-	20,140,104	37,801,367	17,661,263
Impairment Losses	14,214,354	-	14,214,354	-	14,214,354	-	14,214,354	39,949,082	25,734,728
Interest, Dividends and Rent on Land	5,000,000	1,582,482	6,582,482	-	6,582,482	-	6,582,482	18,446,038	11,863,556
Bulk Purchases	40,980,000	13,432,682	54,412,682	-	54,412,682	1,787,318	56,200,000	49,957,993	(6,242,007)
Contracted Services	28,343,305	(6,690,651)	21,652,654	-	21,652,654	9,222,593	30,875,247	31,157,004	281,757
Inventory Consumed	23,742,623	(889,728)	22,852,895	-	22,852,895	-	22,852,895	25,453,754	2,600,859
Operating Leases	7,303,747	(103,179)	7,200,568	-	7,200,568	-	7,200,568	7,807,602	607,034
Operational Costs	7,835,077	(2,419,306)	5,415,771	-	5,415,771	4,661,773	10,077,544	10,285,018	207,474
Loss on Non-Current Assets	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>241,816,143</b>	<b>14,940</b>	<b>241,831,083</b>	<b>-</b>	<b>241,831,083</b>	<b>15,671,684</b>	<b>257,502,767</b>	<b>311,202,626</b>	<b>53,699,859</b>
<b>Surplus/(Deficit for the Year)</b>	<b>40,148,214</b>	<b>18,642,250</b>	<b>58,790,464</b>	<b>-</b>	<b>58,790,464</b>	<b>(15,671,684)</b>	<b>43,118,780</b>	<b>(19,200,687)</b>	<b>(62,319,467)</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
Finance and Administration	29,900	4,497	34,397	-	34,397	-	34,397	6,726,755	6,692,358
Community Services		-		-		-		-	-
Technical Services	79,400,000	(22,466,074)	56,933,926	-	56,933,926	-	56,933,926	63,905,216	6,971,290
<b>Total Capital Expenditure</b>	<b>79,429,900</b>	<b>(22,461,577)</b>	<b>56,968,323</b>	<b>-</b>	<b>56,968,323</b>	<b>-</b>	<b>56,968,323</b>	<b>70,631,971</b>	<b>13,663,648</b>

30 June 2023

Description	Original Budget	Budget Adjustments	Adjustment Budget	Second Budget Adjustments	Second Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Property Rates	31,862,393	-	31,862,393	-	31,862,393	-	31,862,393	18,724,367	(13,138,026)
Transfers and Subsidies	179,938,000	-	179,938,000	-	179,938,000	-	179,938,000	81,166,662	(98,771,338)
External Interest and Dividends Received	759,675	-	759,675	-	759,675	-	759,675	1,220,157	460,482
Service charges	57,897,461	-	57,897,461	-	57,897,461	-	57,897,461	82,817,779	24,920,318
Other Receipts	1,121,628	-	1,121,628	-	1,121,628	-	1,121,628	3,864,883	2,743,255
Employee Related Costs	(84,413,867)	-	(84,413,867)	-	(84,413,867)	-	(84,413,867)	(80,614,191)	3,799,676
Remuneration of Councillors	(7,506,907)	-	(7,506,907)	-	(7,506,907)	-	(7,506,907)	(5,722,840)	1,784,067
External Interest and Dividends Paid	(5,800,000)	-	(5,800,000)	-	(5,800,000)	-	(5,800,000)	(14,788,403)	(8,988,403)
Suppliers Paid	(105,177,708)	-	(105,177,708)	-	(105,177,708)	-	(105,177,708)	(43,925,999)	61,251,709
VAT Receivable / Payable	-	-	-	-	-	-	-	(4,888,694)	(4,888,694)
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(80,155,900)	-	(80,155,900)	-	(80,155,900)	-	(80,155,900)	(41,575,491)	38,580,409
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-
Proceeds on Disposal of Property, Plant and Equipment	18,515,072	-	18,515,072	-	18,515,072	-	18,515,072	2,897,200	(15,617,872)
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-
<b>Cash Flows from/(used in) Financing Activities</b>									
Repayment of Borrowings		-		-		-		(6,956,459)	(6,956,459)
Increase / (Decrease) in consumer deposits	1,115,340	(50,000)	1,065,340	-	1,065,340	-	1,065,340	-	(1,065,340)
<b>Net increase/(decrease) in cash held</b>	<b>8,155,187</b>	<b>(50,000)</b>	<b>8,105,187</b>		<b>8,105,187</b>	-	<b>8,105,187</b>	<b>(7,781,029)</b>	<b>(15,886,216)</b>
Cash and Cash Equivalents at the year begin	17,500,000		17,500,000		<b>17,500,000</b>		17,500,000	<b>15,563,102</b>	(1,936,898)
Cash and Cash Equivalents at the year end	25,655,187	(50,000)	25,605,187	-	8,105,187	-	25,605,187	7,782,073	(17,823,114)

## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

#### **1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### **1.1 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.

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

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

For the years ended 30 June 2021 and 30 June 2022 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.

##### **1.3 Critical Judgements, Estimations and Assumptions**

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

#### 1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 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, 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.

#### 1.3.2 Impairment of Financial Assets

Accounting Policy 7.4 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 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.

#### 1.3.3 Fair Value Estimations

As described in Accounting Policies 5.2 the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specific as follows:

- **Investment Property** is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

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

As described in Accounting Policies 2.3, and 4.2, the municipality depreciates its Property, Plant & Equipment 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 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.

## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

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

Accounting Policy 6 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment 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 and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. 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.

#### **1.3.6 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on actual dip readings, 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 9.2.

#### **1.3.7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

#### **1.3.8 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.

#### **1.3.9 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### **1.4 Going Concern Assumption**

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

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

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

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

- Guideline Accounting for Landfill sites
- Guideline The application of Materiality to Financial Statements

Management has considered all of the above-mentioned Guidelines issued but not yet effective and anticipates that the adoption of these guidelines will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## 2. PROPERTY, PLANT AND EQUIPMENT

### 2.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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

The cost of an item of property, plant and equipment is recognized 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.

### 2.2 Subsequent Measurement

#### Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

### 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. 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.



**TSANTSABANE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The depreciation rates are based on the following estimated useful lives:

	<b>Asset Class</b>	<b>Years</b>		<b>Asset Class</b>	<b>Years</b>
	<b>Land and Buildings</b>			<b>Infrastructure</b>	
	Land	Indefinite		Roads and Paving	5 - 80
	Buildings	15 - 50		Roads & Paving	10 - 60
				Electricity	10 - 70
				Water	15 - 60
	<b>Other</b>			<b>Community</b>	
	Computer Equipment	3 - 7		Graveyard site	15 - 50
	Furniture and Fittings	7 - 8		Recreational & Sport Facilities	15 - 50
	Motor Vehicles	5 - 6		Landfill sites	10 - 30
	Office Equipment	3 - 7			
	Plant and Machinery	3 - 7			

## **2.4 Land**

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

## **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.

## **2.6 Finance Leases**

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.

## **2.7 Derecognition**

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.

## **3. HERITAGE ASSETS**

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

### 3.1 Initial Recognition

Heritage Assets are initially recognised at cost.

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### 3.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

### 3.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item

## 4. INTANGIBLE ASSETS

### 4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

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

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	3 - 7

#### 4.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item

### 5. INVESTMENT PROPERTY

#### 5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a

The Municipality recognises Investment property as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- (b) the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

Where the classification of an investment property is based on management's Judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

#### 5.2 Subsequent Measurement

##### Fair Value Model:

Investment Property is measured using the Fair Value Model. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in Surplus or Deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

#### 5.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the

## 6. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

#### 6.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

#### **6.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### 7. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

##### Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes 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 and relying as little as possible on entity-specific inputs.

##### 7.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	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

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). 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.

##### 7.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

### 7.3 Initial and Subsequent Measurement

#### 7.3.1 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.

##### **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 Surplus or Deficit.

#### 7.3.2 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 Surplus or Deficit.

##### **Financial Liabilities held at Amortised Cost**

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 Surplus or Deficit by applying the effective interest rate.

Advance payments (consumer debtors with credit balances) are carried at cost less any accumulated impairment losses.

### 7.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

#### 7.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "loss events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

#### **7.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### **7.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

### **8. STATUTORY RECEIVABLES**

#### **8.1 Transitional Provisions**

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.



## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

The Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates (refer to 10.3.1), Fines (refer to 10.3.2) and VAT receivable.

The municipality is registered with the South African Revenue Service (SARS) for VAT in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991). The municipality accounts for VAT on the payment basis.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2023.

## **9. INVENTORIES**

### **9.1 Initial Recognition**

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

### **9.2 Subsequent Measurement**

#### **9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods**

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and

#### **9.2.2 Water Inventory**

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

## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

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

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

#### **9.2.3 Unsold Properties**

Unsold properties are valued at the lower of cost and net realisable value on a FIFO. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

#### **9.2.4 Other Arrangements**

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **10. REVENUE RECOGNITION**

### **10.1 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.

### **10.2 Revenue from Exchange Transactions**

#### **10.2.1 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.

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

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 extent of each property.

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.

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

#### **10.2.2 Prepaid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### **10.2.3 Rentals Received**

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

#### **10.2.4 Finance Income**

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

#### **10.2.5 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.

#### **10.2.6 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 ownership nor effective control over the goods sold;
- (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 municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

#### **10.3.1 Rates and Taxes (Statutory Receivable as per Accounting Policy 8)**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### **10.3.2 Fines (Statutory Receivable as per Accounting Policy 8)**

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

#### **10.3.3 Public Contributions**

Revenue from public contributions 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.

#### **10.3.4 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.

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 Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial

#### **10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain.

### **11. PROVISIONS**

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 Surplus or Deficit as a finance cost as it occurs.

#### **11.1 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 Surplus or Deficit.

### **12. EMPLOYEE BENEFIT LIABILITIES**

#### **12.1 Short-term Employee Benefits**

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### **12.1.1 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **12.1.2 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **12.1.3 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57

#### **12.2 Post-employment Benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

##### **12.2.1 Defined Contribution Plans**

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### **12.2.2 Defined Benefit Plans**

###### **Post-retirement Health Care Benefits**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

The defined benefit liability is the aggregate of the present value of the defined benefit obligation minus the the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

#### **Long-service Allowance**

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

#### **Provincially-administered Defined Benefit Plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### **Defined Benefit Pension Plans**

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

## **13. LEASES**

### **13.1 The Municipality as Lessee**

#### **13.1.1 Finance Leases**

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

**TSANTSABANE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.



## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

#### 13.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

#### 13.2 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a Straight-line Basis over the term of the relevant lease.

### 14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

### 15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

### 16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

## **TSANTSABANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

#### **17. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

#### **18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

#### **19. MATERIAL LOSSES**

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

#### **20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in note 51 to the Annual Financial Statements.

#### **21. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

#### **22. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **23. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

### **24. SEGMENT REPORTING**

A segment is an activity of an entity:

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

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Municipal governance, finance and administration
- The provision of water and infrastructure to ensure delivery of Water.
- The provision of electricity and infrastructure to ensure delivery of Electricity.
- The removal of waste water and sewerage through a Sewerage Network.
- The removal of Solid Waste.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

The Segmental Reporting is disclosed in Note 61 to the Annual Financial Statements.

## TSANTSABANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

---

#### 25. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the

The approved budget covers the period from 1 July 2022 to 30 June 2023.

#### 26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

#### 27. CONSUMER DEPOSITS

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held. Consumer deposits are held in the municipality's primary bank account and available for immediate release.

##### **Classification in terms of GRAP 104:**

Financial liability at fair value

##### **Financial Liabilities measured at fair value**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

##### **Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

**TSANTSABANE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

**28. NEW STANDARDS AND INTERPRETATIONS**

**Standards and interpretations not yet effective or relevant**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2022 or later periods but are not relevant to its operations:

<b><i>Standard/ Interpretation:</i></b>	<b><i>Effective date: Years beginning on or after</i></b>	<b><i>Expected impact:</i></b>
Guideline on Accounting for Landfill Sites	No effective date as yet	Unlikely there will be a material impact
GRAP 25 (as revised): Employee Benefits	01/04/2024	Unlikely there will be a material impact
iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction.	No effective date as yet	Unlikely there will be a material impact
Guideline on the Application of Materiality to Financial Statements	No effective date as yet	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01/04/2025	Unlikely there will be a material impact
iGRAP 21: The effect of Past Decisions on Materiality	01/04/2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	No effective date as yet	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01/04/2023	Unlikely there will be a material impact

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**1. GENERAL INFORMATION**

Tsantsabane Local Municipality (the municipality) is a local government institution in Postmasburg, and is located within the north-eastern part of the Northern Cape Province, and is one of five local municipalities under the jurisdiction of the ZF Mgcawu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>2. INVENTORIES</b>		
Consumables	2,045,576	525,976
Property Stock	8,750,000	8,750,000
Water	89,382	80,291
<b>Total Inventories</b>	<b><u>10,884,957</u></b>	<b><u>9,356,267</u></b>

The cost of water for the year amounted to R9.19 (2021: R9.91) per kilolitre.

Reconciliation of Opening and Closing balances:

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Consumables:</b>		
Opening balance	525,976	242,833
Add: Purchases	2,592,861	1,597,415
Less Obsolete stock & stock issued	(1,073,261)	(1,314,272)
Obsolete stock/Inventory write down	-	-
Stock issued (expense for the year)	(1,073,261)	(1,314,272)
Closing balance	<b><u>2,045,576</u></b>	<b><u>525,976</u></b>

No Inventories have been pledged as collateral for Liabilities of the municipality.

Reconciliation of Opening and Closing balances:

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Water:</b>		
Opening balance	80,291	111,160
Add: Purchases	23,423,932	19,974,029
Less Obsolete stock & stock issued	(23,414,841)	(20,004,898)
Inventory write down: Abnormal wastage	(8,240,353)	(6,026,203)
Stock issued (expense for the year)	(15,174,488)	(13,978,695)
Closing balance	<b><u>89,382</u></b>	<b><u>80,291</u></b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2023</b>			
Service Debtors:	314,308,986	294,469,412	19,839,574
Electricity	13,764,732	4,842,150	8,922,582
Refuse	76,346,934	73,588,469	2,758,465
Sewerage	127,858,566	122,360,598	5,497,968
Other Service Charges	(1,152,709)	-	(1,152,709)
Water	97,491,462	93,678,195	3,813,266
Other Receivables	5,866,544	5,213,305	653,239
Property Rental Debtors	5,320,970	5,213,305	107,665
Housing Selling Scheme	-	-	-
Other Debtors: Control accounts	545,574	-	545,574
Control Clearing and Interface accounts	(90,426)	-	(90,426)
<b>Total Receivables from Exchange Transactions</b>	<b>320,085,105</b>	<b>299,682,717</b>	<b>20,402,387</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2022</b>			
Service Debtors:	281,947,496	262,547,155	19,400,341
Electricity	13,641,261	4,994,352	8,646,909
Refuse	65,481,563	62,818,538	2,663,025
Sewerage	109,850,105	104,463,287	5,386,818
Other Service Charges	(830,525)	-	(830,525)
Water	93,805,092	90,270,978	3,534,113
Other Receivables	5,866,544	4,681,703	1,184,841
Property Rental Debtors	5,320,970	4,681,703	639,267
Other Debtors: Control accounts	545,574	-	545,574
Control Clearing and Interface accounts	(27,776)	-	(27,776)
<b>Total Receivables from Exchange Transactions</b>	<b>287,786,264</b>	<b>267,228,858</b>	<b>20,557,406</b>

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2023**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	783,301	751,691	138,771	11,221,175	12,894,939
Less: Provision for Impairment	294,136	282,266	52,110	4,213,639	4,842,150
<b>Net Balances</b>	<b>489,165</b>	<b>469,425</b>	<b>86,661</b>	<b>7,007,537</b>	<b>8,052,789</b>
<b>Refuse:</b>					
Gross Balances	2,829,359	2,255,851	1,123,926	70,004,431	76,213,567
Less: Provision for Impairment	2,731,905	2,178,151	1,085,214	67,593,200	73,588,469
<b>Net Balances</b>	<b>97,454</b>	<b>77,700</b>	<b>38,712</b>	<b>2,411,231</b>	<b>2,625,098</b>
<b>Sewerage:</b>					
Gross Balances	4,649,761	3,749,797	1,885,430	117,478,675	127,763,664
Less: Provision for Impairment	4,453,125	3,591,220	1,805,696	112,510,556	122,360,598
<b>Net Balances</b>	<b>196,636</b>	<b>158,577</b>	<b>79,734</b>	<b>4,968,119</b>	<b>5,403,066</b>
<b>Property Rental:</b>					
Gross Balances	118,245	97,405	26,245	5,282,438	5,524,333
Less: Provision for Impairment	111,588	91,921	24,768	4,985,029	5,213,305
<b>Net Balances</b>	<b>6,657</b>	<b>5,484</b>	<b>1,478</b>	<b>297,409</b>	<b>311,028</b>
<b>Water:</b>					
Gross Balances	657,737	2,183,475	356,229	93,337,156	96,534,597
Less: Provision for Impairment	638,273	2,119,126	345,688	90,575,108	93,678,195
<b>Net Balances</b>	<b>19,464</b>	<b>64,349</b>	<b>10,542</b>	<b>2,762,047</b>	<b>2,856,402</b>
<b>Other: Control accounts</b>					
Gross Balances	545,574				545,574
Less: Provision for Impairment					-
<b>Net Balances</b>	<b>545,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545,574</b>

As at 30 June Receivables of R19,793,957 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Current</b>	<b>Past Due</b>			<b>Total Past Due</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	9,583,978	9,038,219	3,530,602	297,323,875	319,476,674
Less: Provision for Impairment	8,229,027	8,262,683	3,313,475	279,877,532	299,682,717
<b>Net Balances</b>	<b>1,354,951</b>	<b>775,536</b>	<b>217,127</b>	<b>17,446,343</b>	<b>19,793,957</b>



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**As at 30 June 2022**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<b>0 - 30 days</b>	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	
<b>Electricity:</b>					
Gross Balances	3,161,049	912,618	835,798	8,246,110	13,155,575
Less: Provision for Impairment	927,708	371,332	340,076	3,355,236	4,994,352
<b>Net Balances</b>	<b>2,233,341</b>	<b>541,285</b>	<b>495,723</b>	<b>4,890,874</b>	<b>8,161,223</b>
<b>Refuse:</b>					
Gross Balances	1,392,634	1,917,570	908,154	61,256,601	65,474,960
Less: Provision for Impairment	1,336,133	1,839,772	871,309	58,771,325	62,818,538
<b>Net Balances</b>	<b>56,501</b>	<b>77,799</b>	<b>36,845</b>	<b>2,485,277</b>	<b>2,656,422</b>
<b>Sewerage:</b>					
Gross Balances	3,961,732	1,574,841	1,502,937	102,795,300	109,834,811
Less: Provision for Impairment	3,767,982	1,497,823	1,429,435	97,768,046	104,463,287
<b>Net Balances</b>	<b>193,750</b>	<b>77,018</b>	<b>73,502</b>	<b>5,027,253</b>	<b>5,371,524</b>
<b>Property Rental:</b>					
Gross Balances	129,487	43,966	68,130	5,172,327	5,413,910
Less: Provision for Impairment	111,975	38,020	58,916	4,472,793	4,681,704
<b>Net Balances</b>	<b>17,513</b>	<b>5,946</b>	<b>9,214</b>	<b>699,534</b>	<b>732,207</b>
<b>Water:</b>					
Gross Balances	4,672,109	1,513,124	1,181,623	86,329,538	93,696,395
Less: Provision for Impairment	4,218,799	1,462,608	1,142,174	83,447,397	90,270,978
<b>Net Balances</b>	<b>453,310</b>	<b>50,516</b>	<b>39,449</b>	<b>2,882,141</b>	<b>3,425,416</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Other: Control accounts**

Gross Balances	545,574	-	-	-	545,574
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>545,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545,574</b>

As at 30 June Receivables of R20,864,591 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Current</b>	<b>Past Due</b>			<b>Total Past Due</b>
	<b>0 - 30 days</b>	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	
<b>All Receivables:</b>					
Gross Balances	13,834,811	5,962,120	4,496,642	263,799,875	288,093,449
Less: Provision for Impairment	10,362,597	5,209,555	3,841,909	247,814,796	267,228,858
<b>Net Balances</b>	<b>3,472,214</b>	<b>752,565</b>	<b>654,733</b>	<b>15,985,079</b>	<b>20,864,591</b>

**3.2 Summary of Service Debtors by Customer Classification**

	<b>Household &amp; Other R</b>	<b>Industrial/ &amp; Commercial R</b>	<b>National and Provincial Government R</b>	<b>Total R</b>
<b>As at 30 June 2023</b>				
0 - 30 days	7,267,824	1,544,462	226,118	9,038,404
<u>Past Due:</u>				
31 - 60 Days	7,613,069	679,726	755,299	9,048,095
61 - 90 Days	3,141,497	304,318	84,787	3,530,602
+ 90 Days	277,980,867	8,243,453	11,099,555	297,323,875
Sub-total	296,003,257	10,771,959	12,165,760	318,940,975
Less: Provision for Impairment	290,120,698	9,562,019		299,682,717
<b>Total Trade Receivables by Customer Classification</b>	<b>5,882,559</b>	<b>1,209,940</b>	<b>12,165,760</b>	<b>19,258,258</b>
	<b>Household &amp; Other R</b>	<b>Industrial/ &amp; Commercial R</b>	<b>National and Provincial Government R</b>	<b>Total R</b>
<b>As at 30 June 2022</b>				
<u>Current:</u>				
0 - 30 days	9,752,386	2,061,284	1,299,841	13,113,511
<u>Past Due:</u>				
31 - 60 Days	3,687,841	676,372	612,772	4,976,986
61 - 90 Days	3,421,159	488,471	587,012	4,496,642
+ 90 Days	247,760,143	8,202,357	7,837,376	263,799,875
Sub-total	264,621,529	11,428,484	10,337,002	286,387,015
Less: Provision for Impairment	258,083,992	9,071,185	73,681	267,228,858
<b>Total Trade Receivables by Customer Classification</b>	<b>6,537,537</b>	<b>2,357,300</b>	<b>10,263,321</b>	<b>19,158,157</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	267,228,858	245,061,942
Impairment Losses recognised	32,453,859	22,166,916
<b>Balance at end of year</b>	<b><u>299,682,717</u></b>	<b><u>267,228,858</u></b>

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. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>3.4 Ageing of impaired Receivables from Exchange Transactions</b>		
<u>Current:</u>		
0 - 30 Days	8,229,027	10,362,597
<u>Past Due:</u>		
31 - 60 Days	8,262,683	5,209,555
61 - 90 Days	3,313,475	3,841,909
+ 90 Days	279,877,532	247,814,796
<b>Total</b>	<b><u>299,682,717</u></b>	<b><u>267,228,858</u></b>

**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2023</b>			
Property Rates	101,319,037	76,459,194	24,859,843
Fines	735,008	577,144	157,864
Deposits Held and Payments made in advance	1,266,577	-	1,266,577
<b>Total Receivables from Non-exchange Transactions</b>	<b><u>103,320,622</u></b>	<b><u>77,036,338</u></b>	<b><u>26,284,284</u></b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2022</b>			
Property Rates	85,367,286	68,963,971	16,403,315
Fines	735,008	577,144	157,864
Deposits Held and Payments made in advance	2,067,135	-	2,067,135
<b>Total Receivables from Non-exchange Transactions</b>	<b><u>88,169,430</u></b>	<b><u>69,541,115</u></b>	<b><u>18,628,314</u></b>

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2023**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates:</b>					
Gross Balances	4,286,123	3,613,661	3,489,748	84,340,783	95,730,315
Less: Provision for Impairment	3,423,299	2,886,208	2,787,239	67,362,448	76,459,195
<b>Net Balances</b>	<b>862,824</b>	<b>727,453</b>	<b>702,508</b>	<b>16,978,335</b>	<b>19,271,120</b>
<b>Deposits Held:</b>					
Gross Balances	-	-	-	2,067,135	2,067,135
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,067,135</b>	<b>2,067,135</b>
<b>Fines:</b>					
Gross Balances	-	-	-	735,008	735,008
Less: Provision for Impairment	-	-	-	577,144	577,144
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,864</b>	<b>157,864</b>

As at 30 June Receivables of R21,496,119 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	4,286,123	3,613,661	3,489,748	87,142,926	98,532,458
Less: Provision for Impairment	3,423,299	2,886,208	2,787,239	67,939,592	77,036,339
<b>Net Balances</b>	<b>862,824</b>	<b>727,453</b>	<b>702,508</b>	<b>19,203,334</b>	<b>21,496,119</b>

**As at 30 June 2022**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Property Rates:</b>					
Gross Balances	3,504,664	3,635,238	1,645,445	76,582,400	85,367,747
Less: Provision for Impairment	3,000,569	3,112,361	1,408,771	61,442,270	68,963,972
<b>Net Balances</b>	<b>504,095</b>	<b>522,876</b>	<b>236,673</b>	<b>15,140,130</b>	<b>16,403,775</b>
<b>Fines:</b>					
Gross Balances	735,008	-	-	-	735,008
Less: Provision for Impairment	577,144	-	-	-	577,144
<b>Net Balances</b>	<b>157,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,864</b>
<b>Deposits Held:</b>					
Gross Balances	-	-	-	2,067,135	2,067,135
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,067,135</b>	<b>2,067,135</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

As at 30 June Receivables of R18,628,774 were past due but not impaired. The age analysis

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	4,239,672	3,635,238	1,645,445	78,649,535	88,169,889
Less: Provision for Impairment	3,577,712	3,112,361	1,408,771	61,442,270	69,541,116
<b>Net Balances</b>	<b>661,960</b>	<b>522,876</b>	<b>236,673</b>	<b>17,207,265</b>	<b>18,628,774</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	<b>Household &amp; Other R</b>	<b>Industrial/ &amp; Commercial R</b>	<b>National and Provincial Government R</b>	<b>Total R</b>
<b>As at 30 June 2023</b>				
<u>Current:</u>				
0 - 30 days	3,466,057	1,810,731	931,859	6,208,647
<u>Past Due:</u>				
31 - 60 Days	2,228,194	594,431	601,183	3,423,809
61 - 90 Days	2,049,218	637,119	639,977	3,326,314
+ 90 Days	42,295,186	36,886,327	3,590,033	82,771,546
Sub-total	50,038,656	39,928,608	5,763,052	95,730,316
Less: Provision for Impairment	41,487,076	34,972,119		76,459,195
<b>Total Rates Debtors by Customer Classification</b>	<b>8,551,579</b>	<b>4,956,490</b>	<b>5,763,052</b>	<b>19,271,121</b>
	<b>Household &amp; Other R</b>	<b>Industrial/ &amp; Commercial R</b>	<b>National and Provincial Government R</b>	<b>Total R</b>
<b>As at 30 June 2022</b>				
<u>Current:</u>				
0 - 30 days	2,425,256	2,376,022	590,015	5,391,292
<u>Past Due:</u>				
31 - 60 Days	1,104,592	349,506	294,512	1,748,609
61 - 90 Days	1,063,912	287,021	294,512	1,645,445
+ 90 Days	36,622,844	31,176,410	3,965,307	71,764,561
Sub-total	41,216,603	34,188,959	5,144,345	80,549,908
Less: Provision for Impairment	35,837,576	33,126,395	-	68,963,972
<b>Total Rates Debtors by Customer Classification</b>	<b>5,379,027</b>	<b>1,062,564</b>	<b>5,144,345</b>	<b>11,585,936</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	69,541,116	57,896,375
Impairment Losses recognised	7,495,222	11,644,741
<b>Balance at end of year</b>	<b><u>77,036,338</u></b>	<b><u>69,541,116</u></b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

## **5. VAT RECEIVABLE**

VAT Receivable is the Net Receivable from all VAT Control Accounts and must agree to the VAT201 Return.

Vat Receivable.	<b><u>14,061,111</u></b>	<b><u>9,172,417</u></b>
-----------------	--------------------------	-------------------------

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201

The municipality accounts for VAT on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	8,680,518	17,314,925
Bank Accounts	852,787	-
Cash on hand	4,242	3,651
<b>Total Bank, Cash and Cash Equivalents</b>	<b>9,537,547</b>	<b>17,318,576</b>
Bank Overdraft	(1,755,474)	(1,755,474)
<b>Net Bank, Cash and Cash Equivalents</b>	<b>7,782,073</b>	<b>15,563,102</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**6.1 Current Investment Deposits**

Call Deposits	8,680,518	17,314,925
<b>Total Current Investment Deposits</b>	<b>8,680,518</b>	<b>17,314,925</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 2.5% to 3.45% (2021/22: 2.75% to 5.2%)

Fixed Deposits are investments with a maturity periods 30 to 365 days and earn interest at rates varying from 0.5% to 4.85% (2021/22: 6.5% to 6.8%)

Standard Bank: Call account - Acc nr 54 852 911 6 - 011	225,372	7,906,308
Standard Bank: Call Deposit - Acc nr 54 852 911 6 - 014	38,984	704,324
First National Bank: Fixed deposit (6 months) - Acc nr 62798446160	3,637	3,588
ABSA: Fixed Deposit (365 days) - Acc nr 20 7031 7223	8,284,550	8,342,963
Standard Bank: Call account - Acc nr 048459976 - 005	12,473	185,085
Standard Bank: Call account - Acc nr 048459976 - 003	27,812	90,403
Standard Bank: Call Deposit - Acc nr 048459976 - 004	87,690	82,256
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>8,680,519</b>	<b>17,314,926</b>
Deposits attributable to Unspent Conditional Grants	383,495	8,786,879
Deposits attributable to Payables	12,473	185,085
Deposits pledged as guarantees for ESKOM	8,284,550	8,342,963
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>8,680,519</b>	<b>17,314,926</b>



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>6.2 Bank Accounts</b>		
Cash in Bank	852,787	(110,921)
Bank Overdraft	(1,755,474)	(1,644,553)
<b>Total Bank Accounts</b>	<b><u>(902,687)</u></b>	<b><u>(1,755,474)</u></b>

The Municipality has the following bank accounts:

**Primary Bank Account**

ABSA Bank - Postmasburg Branch - Primary Account: 21-3000-0021

Cash book balance at beginning of year	(110,921)	372,207
Cash book balance at end of year	<u>852,787</u>	<u>(110,921)</u>
Bank statement balance at beginning of year	127,465	372,207
Bank statement balance at end of year	<u>-</u>	<u>127,465</u>

Standard Bank - Postmasburg Branch - Primary Account: 230035868

Cash book balance at beginning of year	(1,644,553)	(1,646,553)
Cash book balance at end of year	<u>(1,755,474)</u>	<u>(1,644,553)</u>
Bank statement balance at beginning of year	1,080,532	1,318,918
Bank statement balance at end of year	<u>-</u>	<u>1,080,532</u>

Interest is earned at different rates per annum on favourable balances.

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	4,242	3,651
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b><u>4,242</u></b>	<b><u>3,651</u></b>

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

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

	2023	2022
	R	R

**7. OPERATING LEASE RECEIVABLES**

**7.1 Amounts receivable under Operating Leases**

Operating leases also relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

Up to 1 year

2 to 5 years

More than 5 years

The following restrictions have been imposed by the municipality in terms of the lease

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**8. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2023**

**Reconciliation of Carrying Value**

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2022</b>	<b>11,442,630</b>	<b>560,447,097</b>	<b>47,985,595</b>	<b>40,710,704</b>	<b>4,978,276</b>	<b>8,096,610</b>	<b>673,660,912</b>
Cost	24,751,961	843,075,608	95,878,380	40,710,704	29,010,100	36,606,311	1,070,033,064
Accumulated Impairment Losses	(146,563)	(4,836,886)	(808,475)	-	-	(1,717,140)	(7,509,064)
Accumulated Depreciation:	(13,162,768)	(277,791,625)	(47,084,310)	-	(24,031,824)	(26,792,561)	(388,863,088)
Acquisition of Assets							
- Additions		41,575,490					41,575,490
- Donations	-	22,329,726				6,726,755	29,056,481
Depreciation:	(1,017,080)	(29,909,431)	(2,896,439)		(728,136)	(2,666,606)	(37,217,693)
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost							-
- Accumulated Depreciation							-
Impairment Losses			-	-	-		-
<b>Carrying values at 30 June 2023</b>	<b>10,425,550</b>	<b>594,442,882</b>	<b>45,089,156</b>	<b>40,710,704</b>	<b>4,250,141</b>	<b>12,156,759</b>	<b>707,075,190</b>
Cost	24,751,961	906,980,824	95,878,380	40,710,704	29,010,100	43,333,066	1,140,665,035
Accumulated Impairment Losses	(146,563)	(4,836,886)	(808,475)	-	-	(1,717,140)	(7,509,064)
Accumulated Depreciation:	(14,179,848)	(307,701,056)	(49,980,749)	-	(24,759,959)	(29,459,167)	(426,080,780)

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022

**Reconciliation of Carrying Value**

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2021</b>	<b>12,469,450</b>	<b>547,400,351</b>	<b>51,698,982</b>	<b>40,710,704</b>	<b>5,945,279</b>	<b>12,397,960</b>	<b>668,097,111</b>
Cost	24,878,508	809,516,087	95,885,354	40,710,704	29,010,100	36,449,268	1,036,450,021
Accumulated Impairment Losses	(162,381)	(4,241,557)	(808,475)	-	-	(1,717,140)	(6,929,553)
Accumulated Depreciation:	(12,246,677)	(257,874,179)	(44,186,372)	-	(23,064,821)	(24,051,308)	(361,423,357)
Acquisition of Assets							
- Cost	-	40,936,785	-	-	-	157,043	41,093,828
Depreciation:	(1,026,820)	(24,973,111)	(2,904,912)	-	(967,003)	(2,741,253)	(32,613,099)
Carrying value of Disposals:	(15,818)	(2,321,599)	-	-	-	-	(2,337,417)
- Cost	(126,547)	(7,377,264)	(6,974)	-	-	-	(7,510,785)
- Accumulated Depreciation	110,729	5,055,665	6,974	-	-	-	5,173,368
Impairment Losses	15,818	(595,329)	-	-	-	-	(579,511)
<b>Carrying values at 30 June 2022</b>	<b>11,442,630</b>	<b>560,447,097</b>	<b>47,985,595</b>	<b>40,710,704</b>	<b>4,978,276</b>	<b>8,096,610</b>	<b>673,660,912</b>
Cost	24,751,961	843,075,608	95,878,380	40,710,704	29,010,100	36,606,311	1,070,033,064
Accumulated Impairment Losses	(146,563)	(4,836,886)	(808,475)	-	-	(1,717,140)	(7,509,064)
Accumulated Depreciation:	(13,162,768)	(277,791,625)	(47,084,310)	-	(24,031,824)	(26,792,561)	(388,863,088)

Acquisition of Property, Plant and Equipment include Assets to the amount of R29,056,481 (2022: R4,851,892) donated to the municipality as indicated below (Refer to Note 52):

Donor	Description of Project	2023	2022
Assmang Iron Ore (Beeshoek)	Construction of New Roads: paved	3,946,475	-
Kolomela Mine	Roads Infrastructure: Traffic Lights	83,635	-
Kolomela Mine	Fleet vehicle: Transport assets	642,569	-
Kolomela Mine	Machinery and Equipment	4,080,358	-
Kolomela Mine	Water Supply Infrastructure: Jojo Tanks	247,511	-
Kolomela Mine	Construction of New Roads: paved	9,373,614	-
Nashua (Pty) Ltd	Laptops	-	47,992
Assmang Iron Ore (Beeshoek)	Installation of Prepaid Water Meter:	5,687,770	4,803,900
Assmang Iron Ore (Beeshoek)	Installation of Solar Lights in Postmasburg	2,990,721	-
Assmang Iron Ore (Beeshoek)	Fleet vehicle: Water truck	2,003,827	-
<b>Total for Donated Assets</b>		<b>29,056,481</b>	<b>4,851,892</b>

The **prior year amount** for Property, Plant and Equipment has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
--	-----------	-----------

**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**8.1 Assets pledged as security**

The municipality did not pledge any of its assets as security.

- -

**8.2 Work-in-Progress**

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

	Included within Infrastructure	Total
<b>Reconciliation of Work-in-Progress 2023</b>		
Opening Balance	58,353,283	58,353,283
Additions/Capital Expenditure	38,989,487	38,989,487
Transferred to Completed Items		-
	<u><u>97,342,771</u></u>	<u><u>97,342,771</u></u>
<b>Reconciliation of Work-in-Progress 2022</b>		
Opening Balance	36,864,767	36,864,767
Additions/Capital Expenditure	28,612,318	28,612,318
Transferred to Completed Items	(7,123,801)	(7,123,801)
	<u><u>58,353,283</u></u>	<u><u>58,353,283</u></u>

The work in progress has been restated to reflect the correct movement under infrastructure assets, not prior year errors and has not adjusted to any balance.

**8.3 Delayed Projects**

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted below:

Project Details	Reason
Maremane Water Supply	Delays have been due to the contractor not doing the required pipe testing and final inspection for the snags.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**9. INTANGIBLE ASSETS**

	2023 R	2022 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>589,700</u>	<u>1,173,374</u>

The movement in Intangible Assets is reconciled as follows:

	Software Purchased	Total
<b>Carrying values at 01 July 2022</b>	<b>1,173,372</b>	<b>1,173,372</b>
Cost	3,944,547	3,944,547
Accumulated Amortisation	(2,771,175)	(2,771,175)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(583,674)	(583,674)
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
<b>Carrying values at 30 June 2023</b>	<b>589,698</b>	<b>589,698</b>
Cost	3,944,547	3,944,547
Accumulated Amortisation	(3,354,849)	(3,354,849)
	Software Purchased	Total
<b>Carrying values at 01 July 2021</b>	<b>1,855,875</b>	<b>1,855,875</b>
Cost	3,931,422	3,931,422
Accumulated Amortisation	(2,075,547)	(2,075,547)
Acquisitions:	13,125	13,125
Amortisation:	(695,628)	(695,628)
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
<b>Carrying values at 30 June 2022</b>	<b>1,173,372</b>	<b>1,173,372</b>
Cost	3,944,547	3,944,547
Accumulated Amortisation	(2,771,175)	(2,771,175)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>10. INVESTMENT PROPERTY</b>	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
At Fair Value	<u><b>78,246,260</b></u>	<u><b>60,154,011</b></u> 0.04
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>60,154,011</b>	<b>58,006,979</b>
Fair Value	63,371,522	64,442,000
Accumulated Impairment Losses	(3,217,510)	(3,217,510)
Impairment Losses during the Year	-	-
Fair Value Adjustments	18,092,249	10,471,522
Disposals during the Year:	-	(2,792,000)
At Fair Value	-	(2,792,000)
	-	(8,750,000)
Transfers to Inventory Land	-	(8,750,000)
<b>Carrying values at 30 June</b>	<b>78,246,260</b>	<b>60,154,011</b>
Fair Value	81,463,771	63,371,522
Accumulated Impairment	(3,217,510)	(3,217,510)

**Reason for Impairment**

It was noted that Property disclosed as Investment Property was invaded by the community ,management therefore took the decision to impair the portion of the investment property that was invaded as the Municipality no longer has control over this portion of the property .An impairment of R2 263 608.96(2019/2020) ;R 953 901 (2020/2021) has been disclosed, respectively.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

There are no contractual obligations on Investment Property.

**10.1 Investment Property carried at Fair Value**

The municipality's Investment Property is valued annually at 30 June at fair value by management using observable market related transactions at arm-length and recent actual available data readily accessible. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties within the municipal boundaries within the current reporting period.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**11. HERITAGE ASSETS**

**30 June 2023**

**Reconciliation of Carrying Value**

	<b>Sculptures and Monuments</b>	<b>Municipal Jewellery</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying values at 01 July 2022</b>	<b>319,675</b>	<b>75,000</b>	<b>394,675</b>
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
<b>Carrying values at 30 June 2023</b>	<b>319,675</b>	<b>75,000</b>	<b>394,675</b>
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-

**30 June 2022**

**Reconciliation of Carrying Value**

	<b>Sculptures and Monuments</b>	<b>Municipal Jewellery</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying values at 01 July 2021</b>	<b>319,675</b>	<b>75,000</b>	<b>394,675</b>
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
<b>Carrying values at 30 June 2022</b>	<b>319,675</b>	<b>75,000</b>	<b>394,675</b>
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

**11.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>12. CONSUMER DEPOSITS</b>		
Water & Electricity	2,486,494	2,491,557
Building Plans	883,688	883,688
Refuse	124,560	44,210
Rental Properties	(41,709)	23,284
<b>Total Consumer Deposits</b>	<b><u>3,453,033</u></b>	<b><u>3,442,739</u></b>

Other deposits comprise deposits for properties rented out by the municipality.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

**13. EMPLOYEE BENEFIT LIABILITIES**

Current Portion of Employee Benefit Liabilities (See Note 17):	1,662,000	1,112,000
Post-retirement Medical Aid Benefits Liability	817,000	760,000
Long-term Service Liability	845,000	352,000
<b>Total Provisions</b>	<b><u>1,662,000</u></b>	<b><u>1,112,000</u></b>

**14. PAYABLES FROM EXCHANGE TRANSACTIONS**

Advance Payments - Consumer debtors with credit balances	21,940,304	21,781,466
Bonus	2,225,970	2,194,404
Leave Accrual	8,257,604	6,705,434
Department of Community Safety & Transport Management - Licence fees	22,482,004	22,482,004
Other Payables	27,315,949	14,497,476
- Control, Clearing and Interface Accounts	2,599,479	(127,964)
- Unallocated Deposits	24,716,471	14,625,440
Retentions	3,408,003	3,408,003
Trade Creditors	387,920,598	318,760,047
Bulk Water	3,352,470	3,343,379
Electricity Bulk Purchase	33,121,249	22,143,022
Payables and Accruals	351,446,878	293,273,646
<b>Total Payables</b>	<b><u>473,550,432</u></b>	<b><u>389,828,833</u></b>

The **prior year amount** for Payables from Exchange Transactions has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Staff Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

	2023 R	2022 R
<b>15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>15.1 Conditional Grants from Government</b>	<b>6,299,717</b>	<b>13,022,139</b>
Departmental Agencies and Accounts	31,494	-
National Government	5,856,503	12,610,419
Private Enterprises	411,721	411,721
<b>Total Conditional Grants and Receipts</b>	<b>6,299,717</b>	<b>13,022,139</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23 for the reconciliation of Grants from Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**16. LONG-TERM LIABILITIES**

<b>Long-Term Liabilities</b>	7,643,255	12,506,688
Finance Lease Liability	7,643,255	12,506,688
<b>Less: Current Portion transferred to Current Liabilities:-</b>	(7,643,255)	(7,935,251)
Finance Lease Liability	(7,643,255)	(7,935,251)
<b>Non-Current Portion of Long-term Liabilities</b>	<b>-</b>	<b>4,571,437</b>

**16.1 Summary of Arrangements**

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**16.2 Obligations under Borrowings**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2022: 5 years). The effective interest rate on Finance Leases is between 24% and 35.87% (2022: 4% and 35.87%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2023 R	2022 R	2023 R	2022 R
<b>Amounts payable under borrowings:</b>				
Within one year	7,643,255	11,651,545	7,643,255	9,227,595
In the second to fifth years, inclusive	-	3,460,927	-	3,279,095
Over five years	-	-	-	-
	<u>7,643,255</u>	<u>15,112,472</u>	<u>7,643,255</u>	<u>12,506,689</u>
Less: Future Finance Obligations	-	(2,605,783)		
<b>Present Value of Minimum Lease Obligations</b>	<u><b>7,643,255</b></u>	<u><b>12,506,689</b></u>	<u><b>7,643,255</b></u>	<u><b>12,506,689</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(7,643,255)	(9,227,595)
<b>Borrowings due for settlement after 12 months (Non-current Portion)</b>			<u><b>-</b></u>	<u><b>3,279,095</b></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles
- Electricity and water meters

Included in these classes are the following significant leases:

(i) Electrical and Water meters			
- Average period outstanding		63 months	63 months
- Average effective interest rate, based on prime		24%	24%
		30% on monthly vending	30% on monthly
- Average monthly instalment			
(ii) Office equipment - Solutions Pro (Pty) Ltd t/a Nashua Vryburg			
- Average period outstanding		36 months	36 months
- Average effective interest rate, based on prime		35.87%	35.87%
- Average monthly instalment		R 114,200.00	R 114,200.00

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**16.3 Operating Lease: Tsantsabane Local Municipality as Lessee**

Operating Leases relate to rental of office space (PMU offices) from Henque 4038 CC T/A PMG Elektries. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. This rental is classified as a contingent rentals due to an uncertain lease period. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years.

The municipality has operating lease agreements for the following classes of assets:

- Buildings

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

**17. EMPLOYEE BENEFIT LIABILITIES**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Employee Benefit Liabilities</b>	19,625,000	17,201,000
Post-retirement Health Care Benefits Liability	15,580,000	13,716,000
Long Service Awards Liability	4,045,000	3,485,000
<b>Less: Current Portion of Employee Benefit Liabilities</b>	(1,662,000)	(1,112,000)
Post-retirement Health Care Benefits Liability	(817,000)	(760,000)
Long Service Awards Liability	(845,000)	(352,000)
<b>Non-Current Portion of Employee Benefit Liabilities</b>	<b>17,963,000</b>	<b>16,089,000</b>

**17.1 Post-retirement Health Care Benefits Liability**

Opening balance	13,716,000	14,536,000
Interest cost	1,571,000	1,391,000
Current service cost	492,000	607,000
Actual employer benefit payments	(760,000)	(754,000)
Actuarial loss/ (gain) recognised in the year	561,000	(2,064,000)
Balance at end of Year	15,580,000	13,716,000
Transfer to Current Provisions	817,000	760,000
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>14,763,000</b>	<b>12,956,000</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2023 R	2022 R
In-service Members (Employees)	85	79
Continuation Members (Retirees, widowers and orphans)	18	17
<b>Total Members</b>	<b>103</b>	<b>96</b>

The liability in respect of past service has been estimated as follows:

In-service Members	6,785,000	6,740,000
In-service Non-members	1,803,000	-
Continuation Members	6,992,000	6,976,000
<b>Total Liability</b>	<b>15,580,000</b>	<b>13,716,000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2023 is estimated to be R492,000, whereas the cost for the ensuing year is estimated to be R 822,000 (30 June 2022: R 492 000).

The contributions expected to be paid to the plan during the annual period beginning after the reporting date (i.e. for the 2024 financial year): R 817,000.

**The principal assumptions used for the purposes of the actuarial valuations were as**

Discount Rate	12.44%
Health care cost inflation rate	8.05%
Net Effective Discount Rate	4.06%
Mortality Tables	SA 85-90
Mortality tables post retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Average retirement age for active employees	62
Normal retirement age for active employees	65

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Opening balance	13,716,000	14,536,000
Interest cost	1,571,000	1,391,000
Current service cost	492,000	607,000
Actual employer benefit payments	(760,000)	(754,000)
Actuarial loss/ (gain) recognised in the year	561,000	(2,064,000)
<b>Total Recognised Benefit Liability</b>	<b><u>15,580,000</u></b>	<b><u>13,716,000</u></b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	15,580,000	13,716,000
Fair value of plan assets	-	-
<b>Total Benefit Liability</b>	<b><u>15,580,000</u></b>	<b><u>13,716,000</u></b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1,571,000	1,391,000
Interest cost	492,000	607,000
Actuarial losses / (gains)	561,000	(2,064,000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b><u>2,624,000</u></b>	<b><u>(66,000)</u></b>

**The history of present values are as follows:**

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>	<b>2021</b> <b>R</b>	<b>2020</b> <b>R</b>	<b>2019</b> <b>R</b>
Present Value of Defined Benefit Obligation	15,580,000	13,716,000	14,536,000	11,963,000	11,826,366
<b>Deficit</b>	<b><u>15,580,000</u></b>	<b><u>13,716,000</u></b>	<b><u>14,536,000</u></b>	<b><u>11,963,000</u></b>	<b><u>11,826,366</u></b>

**History of experienced adjustments: Gains and Losses (R millions)**

Experienced adjustments are the effects of differences between the previous actuarial assumptions and what has occurred and were provided by the actuaries:

Experienced adjustments:

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>	<b>2021</b> <b>R</b>	<b>2020</b> <b>R</b>	<b>2019</b> <b>R</b>
Liabilities: (Gains)/Loss	568,000	(1,408,000)	333,000	1,542,000	(109,000)

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	2,207,000	2,170,000
Effect on the defined benefit obligation	16,603,000	14,617,000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1,875,000	1,778,000
Effect on the defined benefit obligation	14,295,000	12,583,000

The effect of a 20% adjustments of mortality rates, is as follows:

<b>Increase:</b>		
Effect on the defined benefit obligation	14,704,000	12,857,000
<b>Decrease:</b>		
Effect on the defined benefit obligation	16,638,000	14,770,000

Refer to Note 46, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**17.2 Long Service Awards Liability**

Opening Balance	3,485,000	3,989,000
Interest cost	362,000	331,000
Current service cost	334,000	347,000
Actual employer benefit payments	(352,000)	(624,000)
Actuarial loss/ (gain) recognised in the year	216,000	(558,000)
Balance at end of Year	4,045,000	3,485,000
Transfer to Current Provisions	845,000	352,000
<b>Total Long Service Awards Liability</b>	<b>3,200,000</b>	<b>3,133,000</b>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Leave Award (working days) is received after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

At year end, 209 (2022: 206) employees were eligible for Long-service Awards.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The Current-service Cost for the year ending 30 June 2023 is estimated to be R 334,000, whereas the cost for the ensuing year is estimated to be R 339,000 (30 June 2022: R334 000).

**The principal assumptions used for the purposes of the actuarial valuations were as**

Discount Rate	11.01%
General earnings inflation rate (long-term)	6.44%
Net Effective Discount Rate	4.29%
Mortality Tables	SA 85-90
Average retirement age for active employees	62
Normal retirement age for active employees	65

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Opening Balance	3,485,000	3,989,000
Interest cost	362,000	331,000
Current service cost	334,000	347,000
Actual employer benefit payments	(352,000)	(624,000)
Actuarial loss/ (gain) recognised in the year	216,000	(558,000)
<b>Total Recognised Benefit Liability</b>	<b>4,045,000</b>	<b>3,485,000</b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	4,045,000	3,485,000
Fair value of plan assets	-	-
<b>Total Benefit Liability</b>	<b>4,045,000</b>	<b>3,485,000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	334,000	347,000
Interest cost	362,000	331,000
Actuarial losses / (gains)	216,000	(558,000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>912,000</b>	<b>120,000</b>

**The history of present values are as follows:**

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	4,045,000	3,485,000	3,989,000	3,628,000	3,706,690
<b>Deficit</b>	<b>4,045,000</b>	<b>3,485,000</b>	<b>3,989,000</b>	<b>3,628,000</b>	<b>3,706,690</b>

**History of experienced adjustments: Gains and Losses**

Experienced adjustments are the effects of differences between the previous actuarial assumptions and what has occurred and were provided by the actuaries:

**Experienced adjustments:**

	2023 R	2022 R	2021 R	2020 R	2019 R
Liabilities: (Gains)/Loss	418,000	(477,000)	(41,000)	33,488	(108,782)
Assets: Gain/(Loss)	-	-	-	-	-



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

The effect of a 1% movement in the Normal Salary cost inflation is as follows:

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	741,000	724,000
Effect on the defined benefit obligation	4,251,000	3,687,000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	654,000	635,000
Effect on the defined benefit obligation	3,855,000	3,300,000

The effect of a 20% movement in the assumed level of withdrawal rates, is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	659,000	640,000
Effect on the defined benefit obligation	3,891,000	3,327,000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	736,000	718,000
Effect on the defined benefit obligation	4,210,000	3,656,000

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>18. NON-CURRENT PROVISIONS</b>		
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	29,821,862	28,257,251
<b>Total Non-current Provisions</b>	<b><u>29,821,862</u></b>	<b><u>28,257,251</u></b>

**The movement in Non-current Provisions are reconciled as follows:**

**Decommissioning of Landfill Sites**

Opening Balance	28,257,251	31,783,198
Increases/(decrease) in Change in timing, amount or discount rate	(1,195,911)	
Increases (Passage of Time/Discounted Rate)	2,760,552	(3,525,947)
<b>Balance at end of year</b>	<b><u>29,821,892</u></b>	<b><u>28,257,251</u></b>

**18.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R38,054,620 (2022: R35,175,600) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur the following rehabilitation and closure costs on its two dumping/landfill sites:

	<b>Proposed Rehabilitation</b>		
Jenn Haven Landfill	2032/33	7,080,666	7,080,666
Boichoko Landfill	2025/26	30,973,954	28,094,934
		<b><u>38,054,620</u></b>	<b><u>35,175,600</u></b>

**Key financial assumptions used in this calculation were as follows:**

	Jenn Haven Landfill	Boichoko Landfill
CPI adjustment	6.1716%	6.1716%
Government Bond Rate used to determine the Present Value of the Formal Closure application process.	11.4216%	10.6716%
Net effective discount rate	5%	4.50%
Estimated total waste area to be rehabilitated	12,542m <sup>2</sup>	108,653m <sup>2</sup>
Estimated area that has already been used for dumping of waste	6,083m <sup>2</sup>	48,490m <sup>2</sup>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>19. ACCUMULATED SURPLUS</b>		
Accumulated Surplus / (Deficit) due to the results of Operations	325,327,339	344,401,829
<b>Total Accumulated Surplus</b>	<b><u>325,327,339</u></b>	<b><u>344,401,829</u></b>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>20. PROPERTY RATES</b>		
	<b>Property Valuation as 30/06/2023 R</b>	<b>Property Valuation as 30/06/2022 R</b>
Church	82,947,100	82,947,100
Commercial	3,045,710,500	3,045,710,500
Industrial	158,575,000	158,575,000
Mines	88,446,000	88,446,000
Municipal	361,073,000	361,073,000
Agriculture	5,433,211,200	5,433,211,200
Residential	2,837,952,300	2,837,952,300
Small holdings and farms	37,000,000	37,000,000
State	131,917,300	131,917,300
<b>Total</b>	<b><u>12,176,832,400</u></b>	<b><u>12,176,832,400</u></b>

	<b>Actual Levies 2023 R</b>	<b>2022 R</b>
<b>Property Rates:</b>		
Business and Commercial Properties	7,993,589	7,886,132
Farm Properties	2,299,078	2,432,979
Industrial Properties	1,672,015	1,664,387
Mining Properties	5,223,975	5,619,739
Municipal Properties	1,989,240	1,969,542
Residential Properties	14,681,391	13,925,531
State-owned Properties	816,832	800,738
<b>Total Property Rates</b>	<b><u>34,676,118</u></b>	<b><u>34,299,048</u></b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect in the prior financial year i.e. 2019/20

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

The following rates in Rand were charged on the following properties:

Church	0.006192	0.006070
Commercial	0.010544	0.010337
Industrial	0.010544	0.010337
Mines	0.059064	0.057905
Municipal	0.006192	0.006070
Agriculture	0.000423	0.000414
Residential	0.006192	0.006070
Small holdings and farms	0.006192	0.006070
State	0.006192	0.006070

The first R 30,000 of the market value of all residential properties and indigents with a gross income of less than R 3 000 are exempt from the payment of rates. An additional rebate of 20% on property rates for pensioners applies subject to certain conditions.

No interest that is charged on arrear accounts.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>21. FINES, PENALTIES AND FORFEITS</b>		
Traffic Fines	236,878	216,200
Municipal	236,878	216,200
Other Fines	100,212	-
Illegal Connections	100,000	-
Overdue Books Fine	212	-
<b>Total Fines, Penalties and Forfeits</b>	<b>337,090</b>	<b>216,300</b>
<b>22. LICENCES AND PERMITS</b>		
	<b>Non-Exchange Transactions 2023 R</b>	<b>Non-Exchange Transactions 2022 R</b>
Road and Transport	1,103,991	1,030,130
Motor Vehicle Licence	1,103,991	1,030,130
<b>Total Licences and Permits</b>	<b>1,103,991</b>	<b>1,030,130</b>
	<b>Exchange Transactions 2023 R</b>	<b>Exchange Transactions 2022 R</b>
Road and Transport	960	960
Licence Inspectors	960	960
<b>Total Licences and Permits</b>	<b>960</b>	<b>960</b>
<b>23. TRANSFERS AND SUBSIDIES RECEIVED</b>		
<b>Departmental Agencies and Accounts</b>		
Sector Education Training Authority Grant (SETA)	75,168	125,219
Department of Arts & Culture (Library Grant)	1,300,000	1,200,000
<b>National Revenue Fund</b>		
Equitable Share	50,270,827	41,578,000
<b>National Governments</b>		
Municipal Infrastructure Grant (MIG)	11,932,145	16,136,981
MIG Capital	11,328,045	15,327,631
MIG Operating	604,101	809,350
Financial Management Grant (FMG)	2,983,889	2,970,012
Extended Public Works Program (EPWP)	1,070,000	292,585
Regional Bulk Infrastructure Grant (RBIG)	-	695,190
Integrated National Electrification Programme (INEP)	15,996,051	4,469,192
WSIG Capital	4,261,002	10,865,017
<b>Public Corporations (Refer to note 53)</b>	29,056,481	5,580,858
Capital	29,056,481	4,851,892
Operating	-	728,966
<b>Total Government Grants and Subsidies</b>	<b>116,945,565</b>	<b>83,913,053</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>23.1 Reconciliation per Grant Source</b>		
<b>23.1.1 Provincial Treasury</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	728,966
Conditions met - transferred to Revenue	-	(728,966)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

Grant received for payment of Audit fees

**23.1.2 Integrated National Electrification Programme Grant (INEP)**

Balance unspent at beginning of year	530,808	-
Current year receipts	20,000,000	5,000,000
Conditions met - transferred to Revenue	(15,996,051)	(4,469,192)
Other Adjustments/Refunds	(530,808)	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>4,003,949</u>	<u>530,808</u>

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of infrastructure and rehabilitation of electricity infrastructure. Funds have been withheld during the 2022/23 financial year due to the non-spending of funds as at 30 June 2022.

**23.1.3 National Revenue Fund - Equitable Share**

Current year receipts	50,270,827	41,578,000
Conditions met - transferred to Revenue	(50,270,827)	(41,578,000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant has been used to fund operational expenses within the municipality.

The allocation of equitable share has been reduced by R 12,580,827 during the 2022/23 financial year due to the non-spending of funds on the Integrated National Electrification Programme Grant and Municipal Infrastructure Grant by the municipality as at 30 June 2022, as indicated below.

	2023 R	2022 R
<b>23.1.4 Sishen Iron Ore Financial Support Grant</b>		
Balance unspent at beginning of year	411,323	411,323
Current year receipts	-	-
Conditions met - transferred to Revenue	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>411,323</u>	<u>411,323</u>

**23.1.5 Provincial Government - Department of Arts & Culture (Library Grant)**

Balance unspent at beginning of year	-	-
Current year receipts	1,300,000	1,200,000
Conditions met - transferred to Revenue	(1,300,000)	(1,200,000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The grant is to be utilised for programme costs of the library and other costs as per library proposal. No funds have been withheld.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>23.1.6 National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	12,050,019	3,098,362
Current year receipts	12,000,000	28,187,000
Conditions met - transferred to Revenue: Operating Expenses	(604,101)	(809,350)
Conditions met - transferred to Revenue: Capital Expenses	(11,328,045)	(15,327,631)
Other Adjustments/Refunds	(12,050,019)	(3,098,362)
Conditions met - transferred to Revenue: Covid19 Expenses	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>67,855</u></u>	<u><u>12,050,019</u></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. Funds have been withheld during the 2022/23 financial year due to the non-spending of funds as at 30 June 2022.

**23.1.7 National: Municipal Finance Management Grant (FMG)**

Balance unspent at beginning of year	29,988	-
Current year receipts	3,000,000	3,000,000
Conditions met - transferred to Revenue	(2,983,889)	(2,970,012)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>46,099</u></u>	<u><u>29,988</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

**23.1.8 National: Department of Public Works - Expanded Public Works Program Grant (EPWP)**

Balance unspent at beginning of year	-	-
Current year receipts	1,070,000	292,585
Conditions met - transferred to Revenue	(1,070,000)	(292,585)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>(0)</u></u>

The grant is to be utilised for salary expenses for the expended Public Works Program in accordance with the national cleaning campaign.

**23.3.9 Water Service Infrastructure Grant (WSIG)**

Balance unspent at beginning of year	-	-
Current year receipts	6,000,000	6,000,000
Conditions met - transferred to Revenue	(4,261,002)	(6,000,000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>1,738,998</u></u>	<u><u>-</u></u>

Grant is used to develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries

**23.3.10 LG SETA Mandatory Grant**

Balance unspent at beginning of year	-	-
Current year receipts	106,662	125,219
Conditions met - transferred to Revenue	(75,168)	(125,219)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>31,494</u></u>	<u><u>-</u></u>

This grant is to be utilised by the Municipality for training.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>23.3.11 Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	695,190
Conditions met - transferred to Revenue	-	(695,190)
Other Adjustments/Refunds	-	-
	<u>-</u>	<u>-</u>
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant is to be utilised by the Municipality for the development of the water services infrastrure of bulk water in a nature such as bulk-line,waste water treatment works,water treatment works and resevoirs

**24. SERVICE CHARGES**

Sale of Electricity	58,517,226	63,269,699
Sale of Water	15,174,488	17,156,836
Refuse Removal	15,201,496	12,904,478
Sewerage and Sanitation Charges	26,223,409	22,539,595
<b>Total Service Charges</b>	<b><u>115,116,619</u></b>	<b><u>115,870,608</u></b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

The **prior year amount** for Service Charges has been restated. Refer to note 42 on " Correction of Error" for details of the restatements.

**25. SALES OF GOODS AND RENDERING OF SERVICES**

Advertisements	105,174	17,454
Building Plan Approval	601,359	376,252
Cemetery and Burial	49,143	69,795
Clearance Certificates	(87,042)	18,547
Entrance Fees	5,260	8,791
Photocopies and Faxes	101,240	79,482
Sale of Goods	87,518	139,822
Stone and Gravel	17,887	29,369
Valuation Services	16,326	-
<b>Total Sales of Goods and Rendering of Services</b>	<b><u>896,867</u></b>	<b><u>739,512</u></b>

**26. RENTAL FROM FIXED ASSETS**

Investment Property	541,401	544,838
<b>Other Rental income</b>		
Ad-hoc Rental Income from Other Fixed Assets	47,216	41,890
<b>Total Rental of Facilities and Equipment</b>	<b><u>588,616</u></b>	<b><u>586,727</u></b>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>27. INTEREST EARNED</b>		
Bank Account	7,947	874
Investments	1,212,211	805,432
	<u><b>1,220,157</b></u>	<u><b>806,306</b></u>
<b>28. OPERATIONAL REVENUE</b>		
Administrative Handling Fees	23,323	23,946
Commission	92,130	6,353
Incidental Cash Surpluses	10,959	659
Sale of Property	-	33,500
Staff Recoveries	95	2,087
<b>Total Operational Revenue</b>	<u><b>126,507</b></u>	<u><b>66,545</b></u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>29. EMPLOYEE RELATED COSTS</b>		
Salaries and Wages		
Basic	49,315,940	48,500,744
Long Service Awards	45,578	110,214
Bonusses	56,336	106,682
Leave Payments	1,814,743	(1,881,650)
Overtime	7,638,083	6,939,981
Allowances		
Accommodation, Travel and Incidental	121,372	47,080
Acting and Post Related Allowances	1,014,329	932,894
Bonus Allowance	2,386,979	1,748,933
Cellular and Telephone	159,485	156,963
Housing Benefits	2,599,793	2,650,631
Standby Allowance	1,307,155	1,172,490
Travel or Motor Vehicle	4,695,551	4,493,501
Social Contributions		
Bargaining Council	28,828	28,902
Group Life Insurance	59,300	73,900
Medical	1,852,837	2,891,641
Pension	7,519,945	7,395,768
Unemployment Insurance	454,133	470,551
Post-retirement Benefit		
Current Service Cost	826,000	954,000
Interest Cost	1,933,000	1,722,000
Actuarial Gains and Losses	777,000	(2,622,000)
Leave Gratuity	-	-
Long Term Service Awards	15,541	-
<b>Total Employee Related Costs</b>	<b><u>84,621,927</u></b>	<b><u>75,893,225</u></b>
No advances were made to employees.		
<b>Remuneration of Section 57 Employees:</b>		
<b>Remuneration of the Municipal Manager - H Mathobela</b>		
Annual Remuneration	663,711	737,457
Car and Other Allowances	519,218	346,053
<b>Total</b>	<b><u>1,182,929</u></b>	<b><u>1,083,510</u></b>
<b>Remuneration of the Chief Financial Officer - LR Coakley</b>		
Annual Remuneration	570,588	486,850
Car and Other Allowances	459,583	347,366
<b>Total</b>	<b><u>1,030,171</u></b>	<b><u>834,216</u></b>
<b>Remuneration of the Director Corporate Services - IC Nkadimang</b>		
Annual Remuneration	835,145	719,953
Car and Other Allowances	423,818	361,602
<b>Total</b>	<b><u>1,258,963</u></b>	<b><u>1,081,555</u></b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Remuneration of the Director: Community Services - J Theys**

Annual Remuneration	736,892	635,253
Car and Other Allowances	522,940	446,302
<b>Total</b>	<b>1,259,832</b>	<b>1,081,554</b>

**Remuneration of the Director Technical services - RV Mlangeni**

Annual Remuneration	547,908	486,850
Car and Other Allowances	523,191	347,365
<b>Total</b>	<b>1,071,099</b>	<b>834,215</b>

**Summary of Remuneration of Section 57 Employees:**

All Managers	5,802,995	4,915,051
--------------	-----------	-----------

**Total Remuneration of Section 57 Employees**

<b>5,802,995</b>	<b>4,915,051</b>
------------------	------------------

Refer to Appendix G for more detail.

**30. REMUNERATION OF COUNCILLORS**

	<b>2023 R</b>	<b>2022 R</b>
Mayor	861,307	550,535
Speaker	735,748	446,176
Chief Whip		
Mayoral committee members	-	25,693
Total for All Other Councillors	3,987,974	4,805,015
<b>Total Councillors' Remuneration</b>	<b>5,722,840</b>	<b>6,029,442</b>

Subsistence and travel included under operating cost note 38.

137,811.00	227,715.76
------------	------------

**Remuneration of Councillors:**

**In-kind Benefits**

The Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality. The Mayor has use of a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

**31. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	37,217,693	32,613,099
Amortisation: Intangible Assets	583,674	695,628
<b>Total Depreciation and Amortisation</b>	<b>37,801,367</b>	<b>33,308,932</b>

**32. IMPAIRMENT LOSSES**

Impairment Losses on Fixed and Current Assets	-	579,511
Impairment Losses on Financial Assets	39,949,082	33,956,347
<b>Total Impairment Losses</b>	<b>39,949,082</b>	<b>34,406,985</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**32.1 Impairment Losses on Fixed & Current Asset**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Impairment Losses</b>		
Property, Plant and Equipment	-	579,511
	<u>-</u>	<u>579,511</u>

**32.2 Impairment Losses on Financial Assets**

**Impairment Losses**

Trade and Other Receivables from Exchange Transactions	32,453,859	22,311,606
--	------------	------------

**Reversal of Impairment Losses**

Trade and Other Receivables from Non-exchange Transactions	7,495,223	11,644,741
	<u>39,949,082</u>	<u>33,956,347</u>

**33. FINANCE COSTS**

Interest Paid	18,446,038	6,462,206
Overdue Accounts	14,788,403	6,874,013
Finance Leases	2,093,024	3,114,140
Interest costs non-current Provisions	1,564,611	(3,525,947)
<b>Total Finance Costs</b>	<u>18,446,038</u>	<u>6,462,206</u>

**34. BULK PURCHASES**

Electricity	49,957,993	49,209,374
<b>Total Bulk Purchases</b>	<u>49,957,993</u>	<u>49,209,374</u>

The **prior year amount** for bulk purchases has been restated for bulk purchases incorrectly recorded in the prior year. Refer to note 42 on " Correction of Error" for details of the Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>35. CONTRACTED SERVICES</b>		
Outsourced Services	5,787,105	5,212,784
Consultants and Professional Services	11,441,168	4,173,995
Contractors	13,928,732	13,010,775
<b>Total Contracted Services</b>	<b><u>31,157,004</u></b>	<b><u>22,397,554</u></b>
 <b>35.1 Outsourced Services</b>		
Administrative and Support Staff	89,236	79,679
Business and Advisory	962,642	349,700
Catering Services	130,912	-
Cleaning Services	548,160	566,858
Personnel and Labour	2,148,528	2,540,794
Security Services	1,727,628	1,675,754
Sewerage Services	180,000	-
	<b><u>5,787,105</u></b>	<b><u>5,212,784</u></b>
 <b>35.2 Consultants and Professional Services</b>		
Business and Advisory	10,154,339	2,770,007
Legal Cost	1,286,829	1,403,988
	<b><u>11,441,168</u></b>	<b><u>4,173,995</u></b>
 <b>35.3 Contractors</b>		
Electrical	15,631	9,565
Fire Services	2,222	-
Graphic Designers	-	155,000
Maintenance of Buildings and Facilities	1,900	-
Maintenance of Equipment	7,339,301	3,002,138
Maintenance of Unspecified assets	715,005	2,682,655
Prepaid Electricity Vendors	5,450,194	6,116,222
Sewerage Services	404,480	1,045,195
	<b><u>13,928,732</u></b>	<b><u>13,010,775</u></b>

The **prior year amount** for Contracted Services has been restated. Refer to Note 42 on

**36. INVENTORY CONSUMED**

Consumables	1,225,776	114,948
Materials and Supplies	1,856,083	1,520,546
Water	22,371,895	20,004,898
	<b><u>25,453,754</u></b>	<b><u>21,640,393</u></b>

The **prior year amount** for Inventory Consumed has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>37. OPERATING LEASES</b>	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Community Assets	233,988	457,104
Furniture and Office Equipment	1,841,193	(1,821,584)
Infrastructure	238,160	-
Machinery and Equipment	2,195,700	1,182,285
Other Assets	479,544	7,821
Transport Assets	2,819,017	2,769,065
<b>Machinery, vehicles and equipment</b>	<b><u>7,807,602</u></b>	<b><u>2,594,691</u></b>

The **prior year amount** for Operating Leases has been restated to account for prior year transactions captured in the 2022/23 financial year. Refer to Note 42 on "Correction of errors" for details of the restatement.

**38. OPERATIONAL COSTS**

Included in General Expenses are the following:

Advertising, Publicity and Marketing	256,536	78,683
Bank Charges, Facility and Card Fees	532,721	602,893
Commission	1,055,594	-
Communication	348,344	727,458
Entertainment	42,380	192,367
External Audit Fees	552,609	2,646,519
Indigent Relief	-	3,924,194
Insurance Underwriting	796,410	930,244
Licences	2,553,366	1,710,943
Municipal Services	54,737	1,216,593
Professional Bodies, Membership and Subscription	1,414,955	1,441,541
Registration Fees	397,252	166,060
Samples and Specimens	184,320	162,820
Skills Development Fund Levy	719,112	696,388
System Access and Information Fees	1,439	178,364
Travel and Subsistence	699,382	654,292
Workmen's Compensation Fund	675,862	650,746
<b>Total Operational Costs</b>	<b><u>10,285,018</u></b>	<b><u>15,980,105</u></b>

No other extra-ordinary expenses were incurred.

The **prior year amount** for Operational Costs has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

**39. GAINS / (LOSSES) ON NON-CURRENT ASSETS**

Fair Value adjustment Investment Property	18,092,249	-
Property, Plant and Equipment & Investment Property	2,897,200	15,920,302
<b>Total Gains / (Losses) on Capital Assets</b>	<b><u>20,989,449</u></b>	<b><u>15,920,302</u></b>
<b>Total Gains of Capital Assets</b>	<b><u>20,989,449</u></b>	<b><u>15,920,302</u></b>
<b>Total Losses on Capital Assets</b>	<b><u>-</u></b>	<b><u>-</u></b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**40. DISCONTINUED OPERATIONS**

No operations have been discontinued.

**41. CORRECTION OF ERROR**

A split between reclassifications and prior period errors are provided to ensure that a clear distinction is made between reclassification of items previously incorrectly disclosed within the Annual Financial Statements, whilst items classified as errors are those items which were factual errors in the prior year, affecting the measurement of such items. The title reclassification does not exclude previous judgement errors, but is rather presented separately in order to allow users to understand that these changes were identified as a consequence of continuously reviewing the accurate disclosure of the nature of transactions.

**41.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2021</b>	<b>373,669,931</b>
Correction of Error:-	
Workmans compensation fund accrual up to 30 June 2021	(4,789,718)
Infrastructure Assets: Correction of Prior year additions according to Asset Register	(10,004,970)
Rounding Errors	-
	(14,794,688)
<b>Restated Balances as at 30 June 2021</b>	<b>358,875,243</b>
Correction of Error as per Vote:	
Transactions incurred for the Year 2021/22 : Previously Reported	(13,200,083)
Correction of Error:-	
Correction of Service Charges raised in 2023 financial year	243,254
Correction of Property Rates raised in 2023 financial year	(461)
Correction of Trade Payables for operating expenses captured in 2023 financial y	(865,378)
Workmans compensation fund accrual for the year ended 30	(650,746)
Rounding Errors	-
	(1,273,331)
<b>Restated Balances as at 30 June 2022</b>	<b>344,401,830</b>

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**42.2 Reclassification of Revenue**

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Reclassificati on	Reclassified Amount	Correction of Error	Restated Amount 2021/22
Property Rates	34,280,453	-	34,280,453	18,595	34,299,048
Fines, Penalties and Forfeits	216,300	-	216,300	-	216,300
Licences and Permits - Non-exchange	1,030,130	-	1,030,130	0	1,030,130
Transfers and Subsidies	83,913,053	-	83,913,053	0	83,913,053
Licences and Permits - Exchange	960	-	960	-	960
Service Charges	115,646,410	-	115,646,410	224,198	115,870,608
Sales of Goods and Rendering of Services	739,512	-	739,512	(0)	739,512
Rental from Fixed Assets	586,727	-	586,727	0	586,727
Interest Earned - External Investments	806,306	-	806,306	0	806,306
Operational Revenue	66,545	-	66,545	(0)	66,545
Gains on Other Operations	15,920,302	-	15,920,302	(0)	15,920,302
	<b>253,206,698</b>	<b>-</b>	<b>253,206,698</b>	<b>242,794</b>	<b>253,449,492</b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Property Rates	Service Charges	Sale of Goods
Balance previously reported	34,280,453	115,646,410	739,512
Correction of Property Rates raised in 2023 financial year	18,595		
Correction of Service charges raised in 2023 financial year		224,198	
Restated Balance now reported	<u>34,299,048</u>	<u>115,870,608</u>	<u>739,512</u>
	0.00-	0.00-	0.43

	Gains on Disposal of PPE	Transfers and Subsidies	Rental from Fixed Assets	Operational Revenue
Balance previously reported	15,920,302	83,913,053	586,727	66,545
Rounding Errors	(0)	0	0	(0)
Restated Balance now reported	<u>15,920,302</u>	<u>83,913,053</u>	<u>586,727</u>	<u>66,545</u>
	0.00-		0.00-	

**42.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Reclassificati on	Reclassified Amount	Correction of Error	Restated Amount 2021/22
Employee Related Costs	75,893,225	-	75,893,225	(0)	75,893,225
Remuneration of Councillors	6,029,442	-	6,029,442	(0)	6,029,442
Depreciation and Amortisation	33,308,932	-	33,308,932	0	33,308,932
Impairment Losses	34,406,985	-	34,406,985	0	34,406,985
Finance Costs	6,462,206	-	6,462,206	(0)	6,462,206
Bulk Purchases	48,532,485	-	48,532,485	676,889	49,209,374
Contracted Services	22,344,154	-	22,344,154	53,400	22,397,554
Inventory Consumed	21,611,816	-	21,611,816	28,577	21,640,393
Operating Leases	2,516,555	-	2,516,555	78,136	2,594,691
Operational Costs	15,300,982	-	15,300,982	679,123	15,980,105
	<b>266,406,782</b>	<b>-</b>	<b>266,406,782</b>	<b>1,516,124</b>	<b>267,922,906</b>



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Employee Related Costs</b>	<b>Remuneration of Councillors</b>	<b>Finance Costs</b>
<b>Balance previously reported</b>	<b>75,893,225</b>	<b>6,029,442</b>	<b>6,462,206</b>
Rounding Errors	(0)	(0)	(0)
<b>Restated Balance now reported</b>	<b>75,893,225</b>	<b>6,029,442</b>	<b>6,462,206</b>
	0.00-	0.00-	0.00-
	<b>Depreciation and Amortisation</b>	<b>Impairment Losses</b>	<b>Bulk Purchases</b>
<b>Balance previously reported</b>	<b>33,308,932</b>	<b>34,406,985</b>	<b>48,532,485</b>
Correction of Trade Payables for operating expenses captured in 2023 financial year			676,889
Rounding Errors	0	0	(0)
<b>Restated Balance now reported</b>	<b>33,308,932</b>	<b>34,406,985</b>	<b>49,209,374</b>
	0.00-	0.00-	0.00-
	<b>Contracted Services</b>	<b>Inventory Consumed</b>	<b>Operational Costs</b>
<b>Balance previously reported</b>	<b>22,344,154</b>	<b>21,611,816</b>	<b>15,300,982</b>
Adjustment for Expenditure not recorded in Prior Year			
Correction of Trade Payables for operating expenses captured in 2023 financial year	53,400	28,577	28,376
Workmans compensation fund accrual in 2022			650,746
Rounding Errors	0	0	
<b>Restated Balance now reported</b>	<b>22,397,554</b>	<b>21,640,393</b>	<b>15,980,105</b>
	0.00-	0.00-	0.00-
		<b>Operating Leases</b>	<b>Loss on Disposal of PPE</b>
<b>Balance previously reported</b>		<b>2,516,555</b>	<b>-</b>
Correction of Trade Payables for operating expenses captured in 2023 financial year		78,136	
Rounding Errors		0	
<b>Restated Balance now reported</b>		<b>2,594,691</b>	<b>-</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**42.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	Prior Year 2021/22 Audited	Reclassificati on	Reclassified Amount	Correction of Error	Restated Amount 2021/22
<b>Current Assets</b>					
Inventories	9,356,266	-	9,356,266	1	9,356,267
Receivables from Exchange Transactions	20,314,151	-	20,314,151	243,255	20,557,406
Receivables from Non-exchange Transactions	18,628,775	-	18,628,775	(461)	18,628,314
VAT Receivable	9,172,417	-	9,172,417	(0)	9,172,417
Cash and Cash Equivalents	17,318,576	-	17,318,576	(0)	17,318,576
Operating Lease Receivables	-	-	-	-	-
<b>Non-Current Assets</b>					
Property, Plant and Equipment	683,399,417	-	683,399,417	(9,738,504)	673,660,912
Intangible Assets	1,173,374	-	1,173,374	(0)	1,173,374
Investment Property	60,154,012	-	60,154,012	(1)	60,154,011
Heritage Assets	394,675	-	394,675	0	394,675
<b>Current Liabilities</b>					
Consumer Deposits	(3,442,739)	-	(3,442,739)	(0)	(3,442,739)
Payables from Exchange Transactions	(383,256,525)	-	(383,256,525)	(6,572,308)	(389,828,833)
Current employee benefits	(1,112,000)	-	(1,112,000)	-	(1,112,000)
Unspent Conditional Grants and Receipts	(13,022,139)	-	(13,022,139)	0	(13,022,139)
Current Portion of long term liability	(7,935,251)	-	(7,935,251)	(0)	(7,935,251)
Bank overdraft	(1,755,474)	-	(1,755,474)	(1)	(1,755,475)
<b>Non-Current Liabilities</b>					
Long-term Liabilities	(4,571,437)	-	(4,571,437)	0	(4,571,437)
Non-current Provisions	(28,257,251)	-	(28,257,251)	0	(28,257,251)
Employee Benefit Liabilities	(16,089,000)	-	(16,089,000)	-	(16,089,000)
<b>Net Assets</b>					
Accumulated Surplus / (Deficit)	(360,469,847)	-	(360,469,847)	16,068,018	(344,401,829)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(2)</u>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Exchange Receivables	Non- exchange Receivables	VAT
<b>Balances previously published per AFS as at 30 June 2021</b>	<b>353,993</b>	<b>13,691,719</b>	<b>13,352,939</b>	<b>8,774,149</b>
<b>Balances now published per AFS as at 30 June 2021</b>	<u><b>353,993</b></u>	<u><b>13,691,719</b></u>	<u><b>13,352,939</b></u>	<u><b>8,774,149</b></u>
Transactions incurred for the Year 2021/22	9,002,273	6,622,432	5,275,836	398,268
Correction of service charges raised in the 2023 financial year		243,254		
Correction of Property Rates raised in the 2023 financial year			(461)	
<b>Balances now published per AFS as at 30 June 2022</b>	<u><b>9,356,266</b></u> (1)	<u><b>20,557,405</b></u> (0)	<u><b>18,628,314</b></u> (0)	<u><b>9,172,417</b></u> 0

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>PPE</b>	<b>Intangible Assets</b>	<b>Investment Property</b>	<b>Heritage Assets</b>
<b>Balances previously published per AFS as at 30 June 2021</b>	<b>668,097,111</b>	<b>1,855,877</b>	<b>61,224,490</b>	<b>394,675</b>
Infrastructure Assets: Correction of Prior year additions according to Asset Register	(10,004,970)			
<b>Balances now published per AFS as at 30 June 2021</b>	<b>658,092,141</b>	<b>1,855,877</b>	<b>61,224,490</b>	<b>394,675</b>
Transactions incurred for the Year 2021/22	15,302,306	(682,503)	(1,070,478)	-
Correction of 2022 Capital expenditure captured in 2023 financial year	266,465			
<b>Balances now published per AFS as at 30 June 2022</b>	<b>673,660,912</b>	<b>1,173,374</b>	<b>60,154,012</b>	<b>394,675</b>
	(0)	0	1	(0)
	<b>Consumer</b>	<b>Exchange</b>	<b>Current</b>	<b>Unspent</b>
<b>Balances previously published per AFS as at 30 June 2021</b>	<b>(2,475,829)</b>	<b>(334,174,103)</b>	<b>(1,378,000)</b>	<b>(3,509,686)</b>
Workmans compensation fund accrual as at 30 June 2021		(4,789,718)		
<b>Balances now published per AFS as at 30 June 2021</b>	<b>(2,475,829)</b>	<b>(338,963,821)</b>	<b>(1,378,000)</b>	<b>(3,509,686)</b>
Transactions incurred for the Year 2021/22	(966,910)	(49,082,422)	266,000	(9,512,453)
Workmans compensation fund accrual in 2022		(650,746)		
Correction of operating expenses captured in 2023 financial year		(865,378)		
Correction of 2022 capital expenses captured in 2023 financial year		(266,465)		
<b>Balances now published per AFS as at 30 June 2022</b>	<b>(3,442,739)</b>	<b>(389,828,832)</b>	<b>(1,112,000)</b>	<b>(13,022,139)</b>
	0	1.10	0.00-	(0)
	<b>Current portion of LT Liabilities</b>	<b>Non-current Provisions</b>		
<b>Balances previously published per AFS as at 30 June 2021</b>	<b>(8,209,469)</b>	<b>(31,783,198)</b>		
<b>Balances now published per AFS as at 30 June 2021</b>	<b>(8,209,469)</b>	<b>(31,783,198)</b>		
Transactions incurred for the Year 2021/22	274,218	3,525,947		
<b>Balances now published per AFS as at 30 June 2022</b>	<b>(7,935,251)</b>	<b>(28,257,251)</b>		
	0	(0)		

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**42. CHANGE IN ACCOUNTING ESTIMATES**

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>43. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(19,200,687)	(14,473,414)
Adjustment for:		
Prior year appropriations	126,199	4,213,336
Correction of error (Note 41)	-	1,273,331
Depreciation and Amortisation	37,801,367	33,308,727
Impairment Losses on Property, Plant and Equipment & Investment Property	-	579,511
Losses / (Gains) on Disposal of Property, Plant and Equipment	(2,897,200)	(15,920,302)
Contribution to Post-retirement Employee Benefits - Non-current	(1,662,000)	(158,000)
Contribution to Post-retirement Employee Benefits - Current	550,000	(266,000)
Provision for staff leave & bonus	1,583,736	(1,842,402)
Debt impairment - Provision for doubtful debts (Exchange)	32,453,859	22,166,916
Debt impairment - Provision for doubtful debts (Non-exchange - Rates)	7,495,223	11,550,313
Debt impairment - Provision for doubtful debts (Non-exchange - Fines)	-	94,428
Finance costs - Discounting of provision for rehabilitation of landfill site	1,564,611	(3,525,947)
Employee related cost - actuarial interest	2,759,000	1,722,000
Finance costs - finance leases	2,093,024	3,114,140
Fair value adjustment Investment Property	(18,092,249)	-
Employee related cost - Actuarial gains	777,000	(2,622,000)
Donation received from mine	(29,056,481)	(4,851,892)
<b>Operating surplus before working capital changes</b>	<b>16,295,402</b>	<b>34,362,744</b>
Decrease/(Increase) in Inventories	(1,528,691)	(9,002,273)
Decrease/(Increase) in Receivables from Exchange Transactions	(32,298,840)	(28,789,348)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Rates	(15,951,751)	(16,730,451)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Fines & Other	800,558	(190,126)
Decrease/(Increase) in VAT Receivable	(4,888,694)	(398,268)
Decrease/(Increase) in Operating Lease Receivables	-	0
Increase/(Decrease) in Consumer Deposits	10,294	966,910
Increase/(Decrease) in Payables from Exchange Transactions	82,137,866	50,924,823
Increase/(Decrease) in Conditional Grants and Receipts	(6,722,422)	9,512,453
<b>Cash generated by / (utilised in) Operations</b>	<b>37,853,721</b>	<b>40,656,464</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>44.1 Unauthorised Expenditure</b>		
Reconciliation of Unauthorised Expenditure:		
Opening balance	715,934,383	659,082,941
Unauthorised Expenditure current year	43,960,420	56,851,442
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u><b>759,894,802</b></u>	<u><b>715,934,383</b></u>

There were no criminal/disciplinary steps taken for unauthorised expenditure during the year under review.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Budgeted votes exceeded</b>
<b>2023:</b>				
Vote 1: Financial Services	84,047,558	147,662,295	(63,614,737)	-
Vote 2: Community Services	35,871,933	24,089,340	11,782,593	11,782,593
Vote 3: Corporate Services	10,427,614	6,346,838	4,080,776	4,080,776
Vote 4: Technical Services	132,666,387	108,390,719	24,275,668	24,275,668
Vote 5: Executive and Council	7,426,405	7,028,270	398,135	398,135
Vote 6: Municipal Manager	9,204,127	5,924,815	3,279,312	3,279,312
Vote 7: Planning and Development Services	2,178,064	2,034,129	143,935	143,935
	<u><b>281,822,089</b></u>	<u><b>301,476,406</b></u>	<u><b>(19,654,317)</b></u>	<u><b>43,960,420</b></u>
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Budgeted votes exceeded</b>
<b>2022:</b>				
Vote 1: Financial Services	75,655,439	65,588,955	10,066,484	10,066,484
Vote 2: Community Services	26,539,505	25,269,669	1,269,836	1,269,836
Vote 3: Corporate Services	8,359,455	10,534,702	(2,175,247)	-
Vote 4: Technical Services	159,980,408	114,465,286	45,515,122	45,515,122
Vote 5: Executive and Council	16,152,305	17,788,665	(1,636,360)	-
	<u><b>286,687,111</b></u>	<u><b>233,647,277</b></u>	<u><b>53,039,834</b></u>	<u><b>56,851,442</b></u>

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>44.2 Fruitless and Wasteful Expenditure</b>		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	107,330,144	68,721,990
Fruitless and Wasteful Expenditure current year	20,724,978	38,608,154
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	-
Expenditure investigated and approved by Council	-	-
To be recovered	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u><b>128,055,121</b></u>	<u><b>107,330,144</b></u>

The Fruitless and wasteful expenditure has been restated.

**44.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:		
Opening balance	64,128,501	51,640,605
Irregular Expenditure current year & previously reported	16,436,787	12,487,896
Irregular Expenditure prior year, but identified in current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u><b>80,565,288</b></u>	<u><b>64,128,501</b></u>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**45.1 Contributions to organised local government - SALGA**

Opening Balance	2,173,973	2,614,542
Council Subscriptions	1,015,312	809,431
Amount Paid - current year	-	-
Amount Paid - previous years	-	(1,250,000)

<b>Balance Unpaid (included in Creditors)</b>	<b>3,189,285</b>	<b>2,173,973</b>
---	------------------	------------------

**45.2 Audit Fees**

Opening Balance	7,212,377	5,797,318
Current year Audit Fee	5,369,059	6,187,102
Amount Paid - current year	(4,000,000)	(2,526,948)
Amount Paid - previous years	(2,089,582)	(2,245,095)

<b>Balance Unpaid (included in Creditors)</b>	<b>6,491,855</b>	<b>7,212,377</b>
---	------------------	------------------

**45.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 5. Not all VAT returns have been submitted by the due date throughout the year.

**45.4 PAYE, Skills Development Levy and UIF**

Opening Balance	1,058,647	982,026
Current year Payroll Deductions	12,793,335	8,904,350
Amount Paid - current year	(11,771,367)	(7,845,704)
Amount Paid - previous years	(1,058,647)	(982,026)

<b>Balance Unpaid (included in Creditors)</b>	<b>1,021,968</b>	<b>1,058,647</b>
---	------------------	------------------

**45.5 Pension and Medical Aid Deductions**

Opening Balance	1,534,885	1,474,178
Current year Payroll Deductions and Council Contributions	18,689,170	17,851,837
Amount Paid - current year	(17,164,151)	(16,316,952)
Amount Paid - previous years	(1,534,885)	(1,474,178)

<b>Balance Unpaid (included in Creditors)</b>	<b>1,525,019</b>	<b>1,534,885</b>
---	------------------	------------------

**45.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

<b>30 June 2023</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Mabilo OM	643	643	-
Esau D	17,341	3,248	14,092
Tonyane K	22,967	2,947	20,020
English H	(88)	(88)	
Miennies DH	(1,707)	(1,707)	
Lottering MM	45,242	2,947	42,295
Boucher J	80,818	3,979	76,839
Sibiya G	56,572	3,090	53,483
<b>Total Councillor Arrear Consumer Accounts</b>	<b>221,788</b>	<b>15,059</b>	<b>206,729</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022	Total	Outstanding up to 90 days	Outstanding more than 90 days
Mabilo OM	2,854	2,854	-
Esau D	17,876	3,400	14,475
Tonyane K	28,029	2,250	25,779
English H	29,401	2,513	26,888
Miennies DH	1,495	1,495	-
Lottering MM	54,804	2,250	52,555
Van Zyl M	(775)	(775)	-
Sibiya G	57,176	2,521	54,655
<b>Total Councillor Arrear Consumer Accounts</b>	<b>190,861</b>	<b>16,508</b>	<b>174,353</b>

**45.7 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

**30 JUNE 2023**

Department	Division	Deviation type	Amount
Community Services	Office of the Director Community Service	Emergency	1,083,169
Executive and Council	Office of the Mayor	Sole Provider or Single Provider	22,000
Financial Services	Asset and Fleet Management	Sole Provider or Single Provider	55,500
Financial Services	Budget and Reporting	Emergency	2,000
Financial Services	Office of the Chief Financial Officer	Acquisition of Special Works or Art Works	270,000
Financial Services	Office of the Chief Financial Officer	Emergency	25,000
Financial Services	Office of the Chief Financial Officer	Exceptional or Impractical case	4,000
Financial Services	Office of the Chief Financial Officer	Sole Provider or Single Provider	117,790
Municipal Manager	Office of the Municipal Manager	Sole Provider or Single Provider	14,700
Technical Services	Distribution Services	Emergency	10,500
Technical Services	Distribution Services	Sole Provider or Single Provider	121,926
Technical Services	Mechanical Services	Sole Provider or Single Provider	6,817
Technical Services	PMU	Emergency	1,196,198
Technical Services	Water Provision Maintenance Services	Emergency	2,730,072
	(Potable Water)		
<b>Total:</b>			<b>5,659,672</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**45.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2023</b>	Unaccounted Electricity Losses	6,034,396	1.7800	10,741,226
<b>30 June 2022</b>	Unaccounted Electricity Losses	4,294,910	1.5618	6,707,790

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	<b>2023 R</b>	<b>2022 R</b>
<b>Volumes in kWh/year:</b>		
System Input Volume	27,375,390	30,482,339
Billed Consumption	21,340,993	26,187,429
Distribution Loss	<u>6,034,396</u>	<u>4,294,910</u>
Percentage Distribution Loss	<u>22.04%</u>	<u>14.09%</u>

**Water:**

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Water Losses	1,896,611	9.19	17,429,857
30 June 2022	Unaccounted Water Losses	1,337,845	9.19	12,294,792

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**Volumes in Kl/year:**

System Input Volume	2,548,850	2,273,673
Billed Consumption	652,239	927,088
Inventory water stock level		8,741
Distribution Loss	<u>1,896,611</u>	<u>1,337,845</u>
Percentage Distribution Loss	<u>74.41%</u>	<u>58.84%</u>



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>46. COMMITMENTS FOR EXPENDITURE</b>	<b>2023 R</b>	<b>2022 R</b>
<b>46.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:-</b>	<b>16,494,332</b>	<b>16,664,082</b>
Property Plant and Equipment - Infrastructure assets	16,494,332	16,664,082
This expenditure will be financed from:		
Government Grants	16,494,332	16,664,082
	<b>16,494,332</b>	<b>16,664,082</b>
The municipality had restated the capital commitments from R 7,954,462 previously reported in 2022 year to R 16,664,082 (2022)		
Commitments for the acquisition of Property, Plant and Equipment		

**46.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**47. FINANCIAL INSTRUMENTS**

**47.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	8,922,582	8,646,909
Refuse	Amortised cost	2,758,465	2,663,025
Sewerage	Amortised cost	5,497,968	5,386,818
Other Service Charges	Amortised cost	(1,152,709)	(830,525)
Water	Amortised cost	3,813,266	3,534,113
Property Rental Debtors	Amortised cost	107,665	639,267
Other Debtors	Amortised cost	545,574	545,574
Control, Clearing and Interface Accounts	Amortised cost	(90,426)	(27,776)
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	8,680,518	17,314,925
Short-term Portion of Investments	Amortised cost	-	-
Bank Balances	Amortised cost	852,787	-
Cash Floats and Advances	Fair Value	4,242	3,651

**SUMMARY OF FINANCIAL ASSETS**

**Financial Assets at Amortised Cost:**

Receivables from Exchange Transactions	Electricity	8,922,582	8,646,909
Receivables from Exchange Transactions	Refuse	2,758,465	2,663,025
Receivables from Exchange Transactions	Sewerage	5,497,968	5,386,818
Receivables from Exchange Transactions	Other Service Charges	(1,152,709)	(830,525)
Receivables from Exchange Transactions	Water	3,813,266	3,534,113
Receivables from Exchange Transactions	Property Rental Debtors	107,665	639,267
Receivables from Exchange Transactions	Other Debtors	545,574	545,574
Receivables from Exchange Transactions	Control, Clearing and Interface Account	(90,426)	(27,776)

Cash and Cash Equivalents	Call Deposits	8,680,518	17,314,925
		<b>29,935,692</b>	<b>37,872,331</b>

**Financial Assets at Fair Value:**

Cash and Cash Equivalents	Cash Floats and Advances	4,242	3,651
---------------------------	--------------------------	-------	-------

<b>Total Financial Assets</b>		<b>29,939,934</b>	<b>37,875,982</b>
-------------------------------	--	-------------------	-------------------

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Finance Lease Liability	Amortised cost	-	4,571,437
<b>Payables from Exchange Transactions</b>			
Other Payables	Amortised cost	2,599,479	(127,964)
Retentions	Amortised cost	3,408,003	3,408,003
Trade Creditors	Amortised cost	410,402,602	341,242,051
Bank Overdraft	Amortised cost	1,755,474	1,755,474
Consumer Deposits	Amortised cost	3,453,033	3,442,739
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liability	Amortised cost	7,643,255	7,935,251
		<b>429,261,845</b>	<b>362,226,991</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>SUMMARY OF FINANCIAL LIABILITIES</b>		<b>2023</b>	<b>2022</b>
		<b>R</b>	<b>R</b>
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Lease Liability	-	4,571,437
Payables from Exchange Transactions	Other Payables	2,599,479	(127,964)
Payables from Exchange Transactions	Retentions	3,408,003	3,408,003
Payables from Exchange Transactions	Trade Creditors	410,402,602	341,242,051
Bank Overdraft	Bank Overdraft	1,755,474	1,755,474
Consumer Deposits	Consumer Deposits	3,453,033	3,442,739
Current Portion of Long-term Liabilities	Finance Lease Liability	7,643,255	7,935,251
<b>Total Financial Liabilities</b>		<b>429,261,845</b>	<b>362,226,991</b>

#### 47.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

##### Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

##### Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

##### Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	<b>30 June 2023</b>		<b>30 June 2022</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	29,935,692	29,935,692	37,872,331	37,872,331
Receivables from Exchange Transactions	20,402,387	20,402,387	20,557,406	20,557,406
Call Deposits	8,680,518	8,680,518	17,314,925	17,314,925
Bank Balances	852,787	852,787	-	-
<b>Measured at Fair Value</b>	4,242	4,242	3,651	3,651
Cash and Cash Equivalents	4,242	4,242	3,651	3,651
<b>Total Financial Assets</b>	<b>29,939,934</b>	<b>29,939,934</b>	<b>37,875,982</b>	<b>37,875,982</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>	429,261,845	429,261,845	362,226,991	362,226,991
Finance Lease Liability	-	-	4,571,437	4,571,437
Trade and Other Payables:				
-Payables from Exchange Transactions	416,410,083	416,410,083	344,522,089	344,522,089
-Current Portion of Long-term Liabilities	7,643,255	7,643,255	7,935,251	7,935,251
Consumer Deposits	3,453,033	3,453,033	3,442,739	3,442,739
Bank Overdraft	1,755,474	1,755,474	1,755,474	1,755,474
<b>Total Financial Liabilities</b>	<b>429,261,845</b>	<b>429,261,845</b>	<b>362,226,991</b>	<b>362,226,991</b>
<b>Total Financial Instruments</b>	<b>(399,321,911)</b>	<b>(399,321,911)</b>	<b>(324,351,009)</b>	<b>(324,351,009)</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>Unrecognised Gain / (Loss)</b>	<u>-</u>	<u>-</u>
-----------------------------------	----------	----------

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2023**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	4,242	-	4,242
<b>Total Financial Assets</b>	<u>-</u>	<u>4,242</u>	<u>-</u>	<u>4,242</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>4,242</u>	<u>-</u>	<u>4,242</u>

**30 June 2022**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	3,651	-	3,651
<b>Total Financial Assets</b>	<u>-</u>	<u>3,651</u>	<u>-</u>	<u>3,651</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>3,651</u>	<u>-</u>	<u>3,651</u>

**47.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2022.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds,

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Gearing Ratio**

	2023 R	2022 R
The gearing ratio at the year-end was as follows:		
Debt	9,398,729	14,262,163
Cash and Cash Equivalents	(9,537,547)	(17,318,576)
Net Debt	<u>(138,818)</u>	<u>(3,056,413)</u>
Equity	<u>325,327,340</u>	<u>344,401,829</u>
<b>Net debt to equity ratio</b>	<b><u>-0.04%</u></b>	<b><u>-0.89%</u></b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**47.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**47.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 45.7 to the Annual Financial Statements.

**47.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**47.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**47.6.2 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

In the case of debtors whose accounts become in arrears, it is endeavoured 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. Consumer Deposits are increased accordingly.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

---

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### **47.7 Credit Risk Management**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

#### **Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

#### **Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	320,085,105	287,786,264
Bank, Cash and Cash Equivalents	7,777,830	15,559,451
<b>Maximum Credit and Interest Risk Exposure</b>	<b><u>327,862,935</u></b>	<b><u>303,345,715</u></b>

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	9,137,337	8,232,042
First National Bank	3,637	3,588
Standard Bank	(1,363,143)	7,323,822
<b>Total Bank and Cash Balances</b>	<b><u>7,777,831</u></b> 1.04	<b><u>15,559,452</u></b> 0.74



**47. FINANCIAL INSTRUMENTS (Continued)**

**47.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
<b>30 June 2023</b>							
Non-interest Bearing		416,410,083	416,410,083	-	-	-	-
- Payables from Exchange transactions	14	416,410,083	416,410,083	-	-	-	-
Fixed Interest Rate Instruments		7,643,255	3,821,627	3,821,627	-	-	-
- Current Portion of Long-term Liabilities	16	7,643,255	3,821,627	3,821,627	-	-	-
- Non-Current Portion of Long-term Liabilities	16	-	-	-	-	-	-
Bank Overdraft		1,755,474	877,737	877,737	-	-	-
Consumer Deposits		3,453,033	1,726,516	1,726,516	-	-	-
		<b>429,261,845</b>	<b>422,835,964</b>	<b>6,425,881</b>	-	-	-
<b>30 June 2022</b>							
<b>Restated:</b>							
Non-interest Bearing		344,522,089	344,522,089	-	-	-	-
- Payables from Exchange transactions	14	344,522,089	344,522,089	-	-	-	-
Fixed Interest Rate Instruments		12,506,688	3,801,515	4,133,736	4,571,437	-	-
- Current Portion of Long-term Liabilities	16	7,935,251	3,801,515	4,133,736	-	-	-
- Non-Current Portion of Long-term Liabilities	16	4,571,437	-	-	4,571,437	-	-
Bank Overdraft		1,755,475	877,737	877,737	-	-	-
Consumer Deposits		3,442,739	1,721,370	1,721,370	-	-	-
		<b>362,226,992</b>	<b>350,922,711</b>	<b>6,732,843</b>	<b>4,571,437</b>	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
<b>30 June 2023</b>							
Non-interest Bearing		20,406,629	20,406,629	-	-	-	-
- Trade Receivables from Exchange Transactions	3	20,402,387	20,402,387	-	-	-	-
- Cash and Cash Equivalents	6	4,242	4,242	-	-	-	-
Variable Interest Rate Instruments		9,533,305	9,533,305	-	-	-	-
- Call Deposits	6	8,680,518	8,680,518	-	-	-	-
- Bank Account	6	852,787	852,787	-	-	-	-
		<b>29,939,934</b>	<b>29,939,934</b>	-	-	-	-
<b>30 June 2022</b>							
Non-interest Bearing		20,561,056	20,561,056	-	-	-	-
- Trade Receivables from Exchange Transactions	3	20,557,406	20,557,406	-	-	-	-
- Cash and Cash Equivalents	6	3,651	3,651	-	-	-	-
Variable Interest Rate Instruments		17,314,925	17,314,925	-	-	-	-
- Call Deposits	6	17,314,925	17,314,925	-	-	-	-
- Bank Account	6	-	-	-	-	-	-
		<b>37,875,982</b>	<b>37,875,982</b>	-	-	-	-

--	--	--	--	--	--	--	--	--	--

#### **48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

#### **DEFINED CONTRIBUTION SCHEMES**

##### **Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R 2,551.9 (30 June 2012: R 1,371.3) million, with a funding level of 101.08% (30 June 2012: 100.45% (as per revised data reconstruction)). The contribution rate paid by the members (9%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

The actuaries certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

##### **National Fund for Municipal Workers**

The last statutory valuation was performed as at 30 June 2015.

The net assets available for benefits were R 10,050 (2014: R 9,032 ) million.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 10,050,029,000 and the fund had a surplus of R 41.8 (30 June 2014: R 9.3) million, with a funding levels of R 100.42% ( 30 June 2014: (100,10%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be financially sound.

##### **SALA Pension Fund:**

The last statutory valuation was performed as at 1 July 2018.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298.6 (1 July 2015: R 13,231.2) million, with funding levels of 96% (1 July 2015: 100%). The contribution rate paid by the members (9%) and Council (18%). The drop in the funding level could be regarded as the result of short term fluctuations and therefore they do not consider it necessary at that stage to reduce benefits and/or to increase contribution rates in order to restore the funding level.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

##### **LA Retirement Fund (previously Cape Joint Pension Fund):**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2019.

The actuarial review included in the 2019 Annual Report, revealed the following:

The DC section has a funding level of 100% and is in a sound financial position. The pensioners account was 100.7% funded with a surplus of R 68 million as at 30 June 2019. Overall the Fund is in a sound financial condition as at 30 June 2019. The contribution rate paid by the members is 9.00% and the municipality is 18.00%.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Consolidated Retirement Fund**

The last statutory valuation was performed as at 30 June 2017. The fund provides defined contribution benefits to its active members and deferred members.

For Contract Employees and Councillors, the Participating Employer contribution rate is 18% of salary. The member contribution rate is 9% of salary.

The actuarial review included in the 2019 Annual Report, revealed the following:

**Members Share Account:** The largest of the accounts is the Member's Share Account representing the total Member's Share of the Fund of R 25.3 billion (30 June 2018: R 23.2). The Member's Share Account of the Fund was in a sound financial condition as at 30 June 2019 with a funding level of 100.3% (30 June 2018: 100.4%).

**Reserve Account:** The fund maintained R 65.7 million as at 30 June 2019 in reserve accounts to meet the special death after retirement benefit and unforeseen contingencies.

**Pension Account:** The Pension Account represents assets of R 647 million set aside to meet pension payments, increases on those payments and any bonuses granted to pensioners. The pensioner liability was R 481 million as at 30 June 2019. The Pension Account was in a sound financial condition and the funding level decreased from 128% as at 30 June 2018 to 124.9% as at 30 June 2019.

The fund was certified to be in sound financial position as at 30 June 2019. All accounts of the Fund had a funding level (assets divided by liabilities) of at least 100%.

**Municipal Workers Retirement Fund (Previously SAMWU National Provident Fund)**

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

None of the above mentioned plans are State Plans.

**49. RELATED PARTY TRANSACTIONS**

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

**49.1 Related Party relationships**

**Councillors:**

<b>Ward</b>	<b>Surname</b>	<b>Initials</b>
1	Lottering	MJ
2	English	AH
3	Devajee	R
4	Keoremetswe	KG
5	Tonyana	G
6	Miennies	D
7	Teise	L
Proportional	Mabilo	OM
Proportional	Beets	HA
Proportional	Ruiters	AJ
Proportional	Esau	D
Proportional	Boucher	J
Proportional	Sibiya	GE

**Directors:**

	<b>Surname</b>	<b>Initials</b>
Municipal Manager	Mathobela	H
Chief Financial Officer	Coakley	LR
Director Corporate Services	Nkadimang	IC
Director Technical Services	Mlangeni	RV
Director Community Development	Theys	JJ

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**49.2 Services rendered to Related Parties**

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

		<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>Year ended 30 June 2023</b>					
Councillors		3,440	60,128	-	122,796
Municipal Manager and Section 57 Personnel		158	31,998	121,642	30,650
<b>Total Services</b>		<b>3,598</b>	<b>92,126</b>	<b>121,642</b>	<b>153,445</b>
Mayor (Ward 2)	English H	805	7,073	-	-88
Councillor: Proportional	Sibiya G	158	7,073	-	56,572
Councillor: Proportional	Beets HA	-	-	-	-
Councillor: Proportional	Esau D	-	7,676	-	17,341
Councillor: Proportional	Boucher J	2,477	7,073	-	50,034
Councillor: Proportional	Mabilo OM	-	7,937	-	643
Councillor: Ward 1	Lottering MM	-	7,073	-	-
Councillor: Ward 5	Tonyane K	-	7,073	-	-
Councillor: Ward 6	Miennies DH	-	9,151	-	-1,707
<b>Section 57 Personnel:</b>					
Municipal Manager	Mathobela H	-	7,073	40,548	11,905
Chief Financial Officer	Coakley LR	-	7,073	40,547	7,195
Director Corporate Services	Nkadamang IC	158	10,780	-	3,099
Director Community Development	Theys JJ	-	7,073	40,547	8,451
		<b>3,598</b>	<b>92,126</b>	<b>121,642</b>	<b>153,445</b>
		<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>Year ended 30 June 2022</b>					
Councillors		10,534	71,444	-	192,668
Municipal Manager and Section 57 Personnel		155	38,531	121,642	21,334
Municipal Entities		-	-	-	-
<b>Total Services</b>		<b>10,689</b>	<b>109,976</b>	<b>121,642</b>	<b>214,002</b>
Mayor (Ward 2)	English H	789	6,749	-	29,401
Councillor: Proportional	Sibiya G	155	7,023	-	57,176
Councillor: Proportional	Beets HA	61	6,174	-	3,637
Councillor: Proportional	Esau D	-	9,050	-	17,876
Councillor: Proportional	Van Zyl M	9,530	7,041	-	-775
Councillor: Proportional	Mabilo OM	-	10,045	-	1,024
Councillor: Ward 1	Lottering MM	-	10,342	-	54,804
Councillor: Ward 5	Tonyane K	-	6,749	-	28,029
Councillor: Ward 6	Miennies DH	-	8,270	-	1,495
<b>Section 57 Personnel:</b>					
Municipal Manager	Mathobela H	-	6,877	40,547	3,941
Chief Financial Officer	Coakley LR	-	10,210	40,547	562
Director Corporate Services	Nkadamang IC	155	14,071	-	2,375
Director Community Development	Theys JJ	-	7,374	40,547	14,455
		<b>10,689</b>	<b>109,976</b>	<b>121,642</b>	<b>214,002</b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The related party note has been restated to reflect the values of the levies for the year for the Property Rates, Service Charges and Other Receivables for the year and not the closing balances at year end.

**49.3 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 Tsantsabane Local Municipality.

**49.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

**2023:**

**Remuneration of the family of key management personnel and councillors that are employed at the municipality:**

<b>Directors</b>	<b>Names</b>	<b>Family Member</b>	<b>Department</b>	<b>Relationship</b>	<b>Remuneration</b>
Director Corporate Services	Nkadimang IC	Nkadimang, KB	Community	Wife	356,938.92

**2022:**

**Remuneration of the family of key management personnel and councillors that are employed at the municipality:**

<b>Directors</b>	<b>Names</b>	<b>Family Member</b>	<b>Department</b>	<b>Relationship</b>	<b>Remuneration</b>
Director Corporate Services	Nkadimang IC	Nkadimang, KB	Community	Wife	347,972.45

**49.5 Transactions with key management personnel or close family members of persons in the service of the state**

The municipality traded with the following companies and individuals, which are considered to be Related Parties:

**2023:**

<b>Company/Individual</b>	<b>Tsantsabane employee</b>	<b>Department</b>	<b>Relation of Tsantsabane employee to company owner/(s)</b>	<b>Designation</b>	<b>Amount of award R</b>
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	-
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of Municipal	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Director Community Services	-

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**2022:**

<b>Company/Individual</b>	<b>Tsantsabane employee</b>	<b>Department</b>	<b>Relation of Tsantsabane employee to company owner/(s)</b>	<b>Designation</b>	<b>Amount of award R</b>
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	-
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of Director	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Community Services Councillor	-
Green Tag Recycling Waste Management	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Tsantsabane Recycling Waste Management and Civil (Pty) Ltd	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Janline General Trading t/a Hi-Q Postmasburg	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

**49.6 Entities under the control of management or councillors**

<b>Designation</b>	<b>Surname</b>	<b>Official Initials</b>	<b>Entity</b>
Chief Financial Officer	Coakley	L	C2M Investments (Pty) Ltd
Director	Nkadimang	IC	Monyaka Waboikanyo
Cleaner/General Worker	Moetsi	S	Molema M Caterings
Archieve Clerk	Molema	K	Reakopa General Trading
Councillor	Daniels	M	Greentag Recycling
Driver	Morwe	L	Caren Jo Couture (Pty)Ltd
Secretary	Witbooi	G	Caren Jo Couture (Pty)Ltd
Director (wife)	Theys	J	Caren Jo Couture (Pty)Ltd
Director (wife)	Theys	J	Rose Gold Projects and Events
Councillor	Esau	D	Tsantsa Test Pty Ltd
Municipal Manager	Mathobela	H	Africa Daiz CC
Municipal Manager	Mathobela	H	MNN Resources CC
Councillor	Mabilo	OM	Bopelo Jwa Ga Mabilo
Councillor	Mabilo	OM	TCF Funeral
Councillor	Mabilo	OM	Olemima (Pty) Ltd
Councillor	Mabilo	OM	Mabamosa (Pty Ltd)

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**50. CONTINGENT LIABILITIES**

**2023**  
**R**

**2022**  
**R**

Contingent Liabilities arose due to various claims brought against the Municipality. All the claims are being contested based on legal advice. The likelihood of successfully defending the claims, as well as the timing and possible costs thereof are uncertain and cannot be determined at this time.

**50.1 Court Proceedings:**

**22,816,980**

**22,720,535**

(i) Breach of Contract:

The municipality is involved in litigation with AXSYS Infrastructure (Pty) Ltd / 20Twenty Projects (Pty) Ltd relating to service agreement termination and non payment by the municipality. Both claims emanates from a contract concluded with the Municipality and Axys/20Twenty on 1 December 2014 for construction work to the value of 30 million rand. The tender was awarded to Axsys who subsequently changed its name to 20 Twenty Projects. The claim for 20Twenty is for request for issue of payment certificates other than for construction services rendered under the name of Axys. These matters are still pending in the Northern Cape High Court and the outcomes are still uncertain.

The claim from AXSYS Infrastructure (Pty) Ltd is for approximately R 9,000,000 plus cost of R 320,000.

9,320,000

9,273,556

The claim from 20 Twenty Projects (Pty) Ltd is for approximately R 1,118,574.61 plus cost of R 250,000.

1,368,574.61

1,368,574.61

(ii) Breach of Contract:

The municipality and the Minister of Water & Sanitation is involved in litigation with Sedibeng Water relating to non payment by the municipality with regards to water supplied to Olifantshoek which now falls under municipal boundaries of Gamagara municipality after the demarcation process. The Demarcation board amalgamated Olifantshoek into the Gamagara Municipality as from May 2006 (Election date).

11,188,405

11,188,405

The case is pending and till date no judgement has been handed down. The municipality's lawyers indicated that the prospects on the merits favour the municipality. The claim is for R 10,788,404.75 with additional costs and disbursements of +- R 400,000 which might arise in relation to the case. The outcome of the matter is still uncertain.

(iii) Lefgal fees: Application to have respondents evicted from Municipal property

The municipality is involved in litigation with various unlaflwul occupiers to have the respondents evicted from Municipal Property or to have buildings erected by Respondents demolished or for failure to make payment of sale price of properties bought from the municipality . Contingent liabilities for costs are as follows:

P Nero & Other Unlawful Occupiers

40,000

40,000

JH Kotze & Other Unlawful Occupiers

40,000

40,000

PK Neelse & Other Unlawful Occupiers

20,000

20,000

IG Molema & Other Unlawful Occupiers

150,000

150,000

VM Mabale

-

50,000

C Phiri & Others

100,000

100,000

TP & KS Phohle

80,000

80,000

SPM Sehako

80,000

80,000



**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

(iii) Legal fees: Recovery of outstanding payments of Municipal accounts

The municipality is involved in litigation with the following defendants for the recovery of outstanding payments of Municipal accounts. Contingent liabilities for costs are as follows:

K Nero	40,000	40,000
PK Neelse	40,000	40,000
(iv) Legal fees: Recovery of payments made to Defendant for repairs of internal roads. DC Civils	150,000	150,000
(v) Legal fees: Other DAT Khatlane N.O. instituted action against the municipality to set aside a ruling made by the Public Protector.	100,000	100,000
(vi) Legal fees: Maremane Settlement Application was issued and Municipality was requested to file a Section 4 report in terms of PIE Act on alternative accommodation for 1st to 14th Respondent	100,000	-

#### 51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

#### 52. IN-KIND DONATIONS AND ASSISTANCE

Various donations in a variety of formats were made to the municipality during the year under review:

Description / Donor	Reference / Nature / Project	Value	Value
<b>Cash Contributions:</b>			
Kolomela Mine	Donations in Cash	-	-
<b>Capital Contributions:</b>	Note 8		
Assmang Iron Ore (Beeshoek)	Construction of New Roads: paved	3,946,475	-
Kolomela Mine	Roads Infrastructure: Traffic Lights	83,635	-
Kolomela Mine	Fleet vehicle: Transport assets	642,569	-
Kolomela Mine	Machinery and Equipment	4,080,358	-
Kolomela Mine	Water Supply Infrastructure: Jojo Tanks	247,511	-
Kolomela Mine	Construction of New Roads: paved	9,373,614	-
Nashua (Pty) Ltd	Laptops	-	47,992
Assmang Iron Ore (Beeshoek)	Installation of Solar Lights in Postmasburg	2,990,721	-
Assmang Iron Ore (Beeshoek)	Fleet vehicle: Water truck	2,003,827	-
Assmang Iron Ore (Beeshoek)	Installation of Prepaid Water Meters	5,687,770	4,803,900
		<b>29,056,481</b>	<b>4,851,892</b>
<b>In-kind Contributions (Operational Expenses):</b>			
Provincial Treasury	Audit Fees Paid by Treasury on behalf of Municipality	-	728,966
		-	<b>728,966</b>
<b>Total Donations and In-kind Assistance Received</b>		<b>29,056,481</b>	<b>5,580,858</b>

#### 53. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

#### 54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 40).

#### 55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2023.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**56. GOING CONCERN ASSESSMENT**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This

Management also considered the following matters in relation to the Going Concern position of Tsantsabane Local Municipality:

(i) On 28 June 2023 Council adopted the 2023/24 to 2025/26 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the on-going delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) A cost containment program is in place and it is regarded by the Municipality as a high priority in order to contain cost and improve service delivery.

(vi) Assessment of the going concern assumption through ratios analysis:

	<b>2023</b>	<b>2022</b>
	<b>Ratio</b>	<b>Ratio</b>
<b>Current ratio:</b>		
<b>Comment</b>	<u>16%</u>	<u>18%</u>
The current ratio increased from the previous year to the current year.		
<b>Quick ratio:</b>	<u>14%</u>	<u>16%</u>
<b>Comment</b>		
The Quick ratio increased from the previous financial year to the current year.		
<b>Revenue management</b>		
Debt-collection period (after impairment)	<u>58</u>	<u>45.8 days</u>
Debt-impairment provision as a percentage of accounts receivable	<u>89%</u>	<u>91%</u>
<b>Debt ratio</b>	<u>62%</u>	<u>58%</u>
<b>Comment</b>		
The debt ratio increased from the previous year to the current year.		
<b>Other indicators:</b>		
<b>Net Current Liabilities position</b>	413,193,624	342,063,458
The Municipality's total net assets is exceed by its liabilities by R 413,193,624 (2022: R 342,063,458)		
<b>Net Assets position</b>	<u>325,327,340</u>	<u>344,401,829</u>
<b>Comment</b>		
The Municipality's total assets exceed its liabilities by R 325,327,341 (2022: R 344,401,829)		
<b>Cash flow</b>	<u>7,782,073</u>	<u>15,563,101</u>
The Municipality has a positive bank balance of R 7,782,073 (2022: R 15,563,101 ) as at 30 June 2023.		
Amount of net cash in /(out)flows for the year from operating activities	<u>37,853,721</u>	<u>40,656,464</u>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Surplus / (Deficit)**

The Municipality has a Loss of R 19,200,687 worsen from the prior financial year of R 14,473,414.

(19,200,687)

(14,473,414)

**Payment of creditors within 30 days**

**Comment**

The creditors were not paid within the 30 days as required by law.

Despite the above negative indicators, the municipality is a going concern because of the following:

**Municipality Entity Funding**

The municipality receives funding from the Government as Grants and Transfers as per the DoRA. There is no intention from Treasury to stop the distribution of Equitable share to Tsantsabane Local Municipality. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

**Grant income receivable in future years:**

	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Finance Management Grant (FMG)	3,100,000	3,100,000	6,200,000
Municipal Infrastructure Grant (MIG)	17,746,000	18,364,000	36,110,000
Integrated National Electrification Grant	1,500,000	5,600,000	7,100,000
Library grant	1,356,000	1,418,000	2,774,000
Equitable Share	55,306,000	60,465,000	115,771,000
EPWP Incentive Grant	-	135,345,000	135,345,000
Water Services Infrastructure Grant (WSIG)	7,975,000	13,559,000	21,534,000
SETA	100,000	100,000	200,000
Mining Companies	3,534,468	2,936,268	6,470,736
EPWP	950,000	-	950,000
	<b><u>91,567,468</u></b>	<b><u>240,887,268</u></b>	<b><u>332,454,736</u></b>

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**59 Accounting by principals and agents**

Details of the arrangements are as follows:

<b>Municipality as Agent/ Principle</b>	<b>Other Party in the Agreement</b>	<b>Purpose of Arrangement</b>	<b>Description of Arrangement</b>	<b>Significant Terms and Conditions</b>
Agent	Provincial Department of Transport	Motor Vehicle registration	The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 12% plus VAT.	The municipality collect motor registra
Agent	Provincial Department of Transport	Drivers Licence application	The Municipality undertakes to handle Driver's licence applications on behalf of the Department of Transport.	The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.
Agent	Provincial Department of Transport	Administration of Drivers licence cards - RTMC (Road Traffic Management Company)	The Municipality undertakes to issue Driver's licence cards on behalf of the Department of Transport.	The municipality collect all application fees on behalf of Provincial Administration and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company)
Principal	VETA Investments	Prepaid electricity	Tsantsabane Local Municipality requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Principal	Jimbos	Prepaid electricity	Tsantsabane Local Municipality requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.
Principal	Grid Control	Prepaid water	Tsantsabane Local Municipality requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.

**Municipality as agent**

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

The resources regarding the Licensing Department remain their own and do not form part of the Municipality's financial statements.

**Revenue recognised**

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 1,103,991 (2022: 1,030,130).

**Agent Principal arrangement**

Motor Vehicle registration, Drivers Licence applications & RTMC - Dept of Transport	1,103,991	1,030,130
---	-----------	-----------

**Category(ies) of revenue received / expenses paid on behalf of the principal, are:**

The one category of revenue received on behalf of the principal is Licensing fees (includes Vehicle licences, Drivers licences and Drivers licence cards).

**Municipality as principal**

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

No assets or liabilities of Tsantsabane Local Municipality are under the custodianship of Inzalo UMS, VETA and Grid Control.

	<b>2023</b>	<b>2022</b>
<b>Fee paid (Commission paid)</b>	<b>R</b>	<b>R</b>
<b>Fees paid as compensation to the agent</b>		
<b>Commission paid</b>		
VETA - prepaid electricity vendor	5,987,312	6,103,722
Inzalo UMS prepaid water vendor	474,791	-
GRID Control - prepaid water vendor	100,879	-
	<b><u>6,562,982</u></b>	<b><u>6,103,722</u></b>

**TSANTSABANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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

There are no resource or cost implications for the municipality if the arrangements are terminated.

**60. MFMA Non-Compliance For 2022-2023**

MFMA Section	Non-Compliance	Details	Non-Compliance Date
Sec 21(1)(b)	Tabling of Schedule of Key Deadlines	Mayor must, atleast 10 before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for: (i) The preparation, tabling and approval of the annual budget; (ii) The annual review of IDP in terms of sec 34 of MSA. (iii) The tabling and adoption of any amendments to the IDP and the budget related policies. (iv) Any consultative processes forming part of the the processess referred above in (i),(ii) and (iii).	Complied
Sec 28(2)(b) and MBRR Sec 23(3)	Tabling of Special Adjustment Budget	2022/23 MTREF budget adjustment to account for the revised funding allocations that were made available.	#N/A
Sec 72	Mid-year budget and performance assessment	(1) The accounting officer of a municipality must by 25 January of year - (a) Assess the performance of the municipality during the first half of the financial year, taking into account; (i) The monthly statements referred to section 71 for the first half of the financial year; (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and perforamnce indicators set in the service delivery and budget implementation plan. (ii) The past year's annual report; and (b) Submit a report on such assessment to - (i) The mayor of the municipality; (ii) The national treasury; and (iii) The relevant provincial treasury.	Complied
Sec 71 Reports	Montly Budget Statements (Sec Reports) 2022/23	Municipalities are required to submit by no later than 10 working days after the end of each month to the mayor and Provincial Treasury a statement in the prescribed format on the state of the municipality's budget.	Non-Complied
Section 65(2)(e) of the MFMA.	30 days of invoice settlement	Municipalities are required to pay all suppliers within 30days of invoice as per section 65(2)(e) of the MFMA	Non-Complied

## **61. SEGMENTAL INFORMATION**

### **General information**

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective.

The components described below have been identified as individually significant segments for purposes of reporting according to these service objectives:

- Finance and administration
- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes

- Governance and administration
- Community and Public Safety
- Economic and environmental services

The municipality does not monitor segments geographically

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assess

### **Transitional provisions**

GRAP 18 Segment Reporting became effective on 1 April 2020 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to present comparative segment information on initial adoption of GRAP 18.

The municipality is taking advantage of the transitional provisions by not presenting comparative segment information.

The municipality intends to fully apply the requirements of GRAP 18 by 30 June 2022.

**Segment Analysis of Financial Performance**  
**Year Ended 30 June 2023**

Description	Finance and Administration	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
<b>REVENUE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
<b>Revenue from Non-exchange Transactions</b>							
Property Rates	34,676,118	5,223,975	-	-	-	(5,223,975)	34,676,118
Fines, Penalties and Forfeits	100,212	-	-	-	-	236,878	337,090
Licences and Permits	1,103,991	-	-	-	-	-	1,103,991
Transfers and Subsidies	101,356,518	11,328,045	-	-	4,261,002	-	116,945,565
<b>Revenue from Exchange Transactions</b>							
Service Charges	-	58,517,226	15,201,496	26,223,409	15,174,488	-	115,116,619
Sales of Goods and Rendering of Services	206,415	-	-	-	12,162	678,290	896,867
Rental from Fixed Assets	588,616	-	-	-	-	-	588,616
Interest, Dividends and Rent on Land Earned	1,220,157	-	-	-	-	-	1,220,157
Operational Revenue	126,507	-	-	-	-	-	126,507
Gains on Non-Current Assets	20,989,449	-	-	-	-	-	20,989,449
<b>Total Revenue</b>	<b>159,263,993</b>	<b>75,069,245</b>	<b>15,201,496</b>	<b>26,223,409</b>	<b>19,447,652</b>	<b>(4,307,847)</b>	<b>292,001,939</b>
<b>EXPENDITURE</b>							
Employee Related Costs	18,767,209	8,497,937	7,876,548	6,424,033	3,727,121	39,329,081	84,621,927
Remuneration of Councillors	-	-	-	-	-	5,722,840	5,722,840
Depreciation and Amortisation	37,801,367	-	-	-	-	-	37,801,367
Impairment Losses	28,484,672	(152,202)	-	29,198,844	3,407,217	(20,989,449)	39,949,082
Interest, Dividends and Rent on Land	18,446,038	-	-	-	-	-	18,446,038
Bulk Purchases	-	49,957,993	-	-	-	-	49,957,993
Contracted Services	18,591,007	2,678,456	-	2,246,497	2,688,077	4,952,967	31,157,004
Inventory Consumed	3,081,860	1,201,145	-	94,008	22,371,895	(1,295,154)	25,453,754
Operating Leases	7,807,602	-	-	-	238,160	(238,160)	7,807,602
Operational Costs	4,222,058	2,572,275	38,009	60,511	357,561	3,034,605	10,285,018
Loss on Non-Current Assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>137,201,813</b>	<b>64,755,605</b>	<b>7,914,556</b>	<b>38,023,892</b>	<b>32,790,031</b>	<b>30,516,730</b>	<b>311,202,626</b>
<b>Surplus/(Deficit) for the Year</b>	<b>22,062,180</b>	<b>10,313,640</b>	<b>7,286,940</b>	<b>(11,800,483)</b>	<b>(13,342,379)</b>	<b>(34,824,577)</b>	<b>(19,200,687)</b>



**APPENDIX I**  
**TSANTSABANE LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)**

Year Ended 30 June 2022

Description	Finance and Administration	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
	R	R	R	R	R		R
<b>REVENUE</b>							
<b>Revenue from Non-exchange Transactions</b>							
Property Rates	28,679,309	5,619,739	-	-	-	0	34,299,048
Fines, Penalties and Forfeits	100	-	-	-	-	216,200	216,300
Licences and Permits	-	-	-	-	-	1,030,130	1,030,130
Transfers and Subsidies	33,504,230	5,164,382			10,865,017	34,379,424	83,913,053
<b>Revenue from Exchange Transactions</b>	-	-	-	-	-	-	-
Licences and Permits	-	-	-	-	-	960	960
Service Charges	-	63,269,699	12,904,478	22,539,595	17,156,836	-	115,870,608
Sales of Goods and Rendering of Services	275,729	-	-	-	5,347	458,436	739,512
Rental from Fixed Assets	586,727	-	-	-	-	-	586,727
Interest, Dividends and Rent on Land Earned	806,306	-	-	-	-	-	806,306
Operational Revenue	66,545	-	-	-	-	-	66,545
Gains on Non-Current Assets	15,920,302					-	15,920,302
<b>Total Revenue</b>	<b>79,839,249</b>	<b>74,053,820</b>	<b>12,904,478</b>	<b>22,539,595</b>	<b>28,027,200</b>	<b>36,085,151</b>	<b>253,449,492</b>
<b>EXPENDITURE</b>							
Employee Related Costs	16,831,382	7,621,379	7,064,086	5,761,397	3,342,670	35,272,309	75,893,225
Remuneration of Councillors	-	-	-	-	-	6,029,442	6,029,442
Depreciation and Amortisation	28,410,197	5,234,789	-	5,161,098	5,000,595	(10,497,747)	33,308,932
Impairment Losses	12,095,379	588,818	3,857,689	8,563,613	9,301,486	-	34,406,985
Interest, Dividends and Rent on Land	9,988,153			(3,525,947)			6,462,206
Bulk Purchases	-	49,209,374	-	-	-	-	49,209,374
Contracted Services	13,364,350	1,925,438	-	1,614,919	1,932,354	3,560,494	22,397,554
Inventory Consumed	1,820,729	565,498	-	82,579	20,015,352	(843,766)	21,640,393
Operating Leases	2,179,168	50,503	-	-	-	365,020	2,594,691
Operational Costs	6,559,923	3,996,611	59,055	94,017	555,553	4,714,946	15,980,105
<b>Total Expenditure</b>	<b>91,249,281</b>	<b>69,192,409</b>	<b>10,980,831</b>	<b>17,751,677</b>	<b>40,148,010</b>	<b>38,600,698</b>	<b>267,922,906</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(11,410,033)</b>	<b>4,861,410</b>	<b>1,923,648</b>	<b>4,787,919</b>	<b>(12,120,810.25)</b>	<b>(2,515,547.81)</b>	<b>(14,473,414)</b>

**Segment Analysis of Financial Position and analysis of Capital Expenditure**

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

**APPENDIX A**  
**TSANTSABANE LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2023**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2022	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2023
	R				R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>								
VETA investments (smart meters)	14,168,685	24.00%		Not fixed	11,071,018	(3,852,366)	-	7,218,652
Solutions Pro (Pty) Ltd t/a Nashua Vryburg	2,497,293	35.87%	713273	October 2023	1,435,671	(1,011,068)	-	424,603
<b>Total Capital Lease Liabilities</b>	<b>26,092,398</b>				<b>12,506,689</b>	<b>(4,863,434)</b>	<b>-</b>	<b>7,643,255</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>26,092,398</b>				<b>12,506,689</b>	<b>(4,863,434)</b>	<b>-</b>	<b>7,643,255</b>

**APPENDIX B**  
**TSANTSABANE LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grants and Subsidies Received																	
Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance	
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No		
Equitable Share	Nat Treasury	19,605,000	16,589,000	14,077,000	-	19,605,000	16,589,000	14,077,000	-	-	12 581 000	-	-	Surrendered MIG for 2022	Yes	N/A	
FMG	Nat Treasury	3,000,000	-	-	-	975,455	1,440,920	287,654	279,860	-	-	-	-	N/A	Yes	N/A	
MIG	COGTA	3,000,000	-	9,000,000	-	192,282	146,588	132,615	132,615	-	-	-	-	N/A	Yes	N/A	
INEP	DMRE	9,000,000	6,000,000	5,000,000	-	6,661,269	3,225,402	717,759	5,391,621	-	-	-	-	N/A	Yes	N/A	
EPWP Incentive Grant	Province	268,000	-	802,000	-	393,376	1,055,269	121,601	38,966	-	-	-	-	N/A	Yes	N/A	
LG SETA Mandatory Grant	Province	42,060	23,605	40,997	-	53,810	44,410	11,750	-	-	-	-	-	N/A	Yes	N/A	
Library	Province	650,000	-	650,000	-	325,000	325,000	325,000	-	-	-	-	-	N/A	Yes	N/A	
WSIG	DWS	3,000,000	1,800,000	1,200,000	-	1,433,222	2,191,562	253,379	382,840	-	-	-	-	N/A	Yes	N/A	
RBIG	DWS	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
PT Audit Fee	Province	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A	
Total Grants and Subsidies Received		38,565,060	24,412,605	30,769,997	-	29,639,415	25,018,151	15,926,759	6,225,903	-	-	-	-				