Kgatelopele Local Municipality (Registration number NC086)
Annual Financial statements
for the year ended 30 June 2023

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Relevant Legisition	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Mayoral committee	
Executive Mayor	Nona Irene Williams
Councillors	Mosala George Leutlwetse (Speaker) Gabanthate Dorcas Burger Silvia Gloria Edwards Ronel Victoria Haai Patience Leburu Francois Maritz Denys Reginald Pienaar Frikkie Sebelego Jan Slinger Anna Christina Van Zyl
Chief Finance Officer (CFO)	Marishe Swart (Acting from 1 August 2022- 31 December 2022) Beauty Rooibaadjie (Acting from 1 July 2022- 31 July 2022 and 1 January 2023-30 April 2023) Keanan Scholtz (Appointed 1 May 2023)
Accounting officer	Willie Blunden (Appointed on 1 August 2022) A. Tietes (Acting from 1 July 2021 to 31 July 2022
Registered office	222 Barker Street Danielskuil 8405
Business address	222 Barker Street

General Information

	Danielskuil 8405
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Van De Wall Inc.

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

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's external auditors.

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

The annual financial statements set out from page 7 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:

Willie Blunden
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	4 617 511	3 579 328
Receivables from non-exchange transactions	4	14 157 784	17 957 154
VAT receivable	5	14 457 945	13 898 875
Receivables from exchange transactions	6	29 354 522	20 234 001
Cash and cash equivalents	7	79 756 099	75 803 344
		142 343 861	**131 472 702**
Non-Current Assets			
Investment property	8	28 727 247	28 537 851
Property, plant and equipment	9	425 048 914	373 397 740
Intangible assets	10	1 729 762	2 155 728
Heritage assets	11	1 151 058	1 151 058
		456 656 981	**405 242 377**
Total Assets		**599 000 842**	**536 715 079**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	72 051 085	44 824 952
Consumer deposits	13	1 509 472	1 399 288
Employee benefit obligation	14	425 000	192 000
Unspent conditional grants and receipts	15	78 403 329	75 666 063
		152 388 886	**122 082 303**
Non-Current Liabilities			
Employee benefit obligation	14	1 825 000	2 028 000
Provisions	16	5 509 823	6 672 044
		7 334 823	**8 700 044**
Total Liabilities		**159 723 709**	**130 782 347**
Net Assets		**439 277 133**	**405 932 732**
Accumulated surplus		439 277 133	405 932 805
Total Net Assets		**439 277 133**	**405 932 805**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	47 722 484	43 364 516
Rental of facilities and equipment	19	149 053	180 864
Licences and permits	22	427 941	293 781
Other income	20	134 446	264 104
Interest on Debtors and Investment	21	9 032 116	4 064 177
Total revenue from exchange transactions		**57 466 040**	**48 167 442**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	14 765 729	15 034 710
Interest on outstanding receivables	24	1 086 379	706 290
Transfer revenue			
Government grants & subsidies	25	93 435 734	88 784 874
Public contributions and donations	26	-	1 822 678
Fines, Penalties and Forfeits	27	4 836	34 452
Total revenue from non-exchange transactions		**109 292 678**	**106 383 004**
Total revenue	17	**166 758 718**	**154 550 446**
Expenditure			
Employee related costs	28	41 240 865	40 027 893
Remuneration of councillors	29	4 718 363	3 735 567
Depreciation and amortisation	30	14 949 417	39 758 236
Finance costs	31	2 846 293	1 882 638
Bad debts written off	32	3 745 433	3 763 892
Debt impairment		5 603 699	435 138
Bulk purchases	33	24 351 857	24 636 879
Contracted services	34	17 588 178	19 134 725
General Expenses	35	16 411 432	12 035 505
Total expenditure		**131 455 537**	**145 410 473**
Operating surplus		**35 303 181**	**9 139 973**
Loss on disposal of assets and liabilities		(1 337 541)	(981 110)
Actuarial gains/losses	14	283 846	(27 121)
		(1 053 695)	**(1 008 231)**
Surplus for the year		**34 249 486**	**8 131 742**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	397 801 062	397 801 062
Adjustments		
Correction of errors	1	1
Balance at 01 July 2021 as restated*	**397 801 063**	**397 801 063**
Changes in net assets		
Surplus for the year	8 131 742	8 131 742
Total changes	8 131 742	8 131 742
Opening balance as previously reported	409 492 056	409 492 056
Adjustments		
Prior year adjustments	(4 464 409)	(4 464 409)
Restated* Balance at 01 July 2022 as restated*	**405 027 647**	**405 027 647**
Changes in net assets		
Surplus for the year	34 249 486	34 249 486
Total changes	34 249 486	34 249 486
Balance at 30 June 2023	**439 277 133**	**439 277 133**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		66 496 123	51 866 685
Grants		96 173 000	145 702 999
Interest income		-	4 064 177
Other receipts		-	23 760
		162 669 123	201 657 621
Payments			
Employee costs		(45 959 228)	(43 761 456)
Suppliers		(32 238 914)	(55 669 784)
Finance costs		(2 846 293)	(1 882 638)
		(81 044 435)	(101 313 878)
Net cash flows from operating activities	37	**81 624 688**	**100 343 743**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(35 483 470)	(44 186 275)
Proceeds from sale of property, plant and equipment	9	42 186	-
Proceeds from sale of investment property	8	(290 580)	820
Purchase of other intangible assets	10	-	(146 275)
Proceeds from sale of other intangible assets	10	425 966	-
Net cash flows from investing activities		**(35 305 898)**	**(44 331 730)**
Net increase/(decrease) in cash and cash equivalents		**46 318 790**	**56 012 013**
Cash and cash equivalents at the beginning of the year		75 803 344	20 060 580
Cash and cash equivalents at the end of the year	7	**122 122 134**	**76 072 593**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	71 250 533	(11 967 683)	**59 282 850**	47 722 484	**(11 560 366)**	1
Rental of facilities and equipment	320 278	(10 110)	**310 168**	149 053	**(161 115)**	2
Licences and permits	987 970	-	**987 970**	427 941	**(560 029)**	3
Other income	1 330 276	19 907 602	**21 237 878**	134 446	**(21 103 432)**	4
Interest on outstanding receivables	3 372 746	4 015 504	**7 388 250**	9 032 116	**1 643 866**	5
Total revenue from exchange transactions	**77 261 803**	**11 945 313**	**89 207 116**	**57 466 040**	**(31 741 076)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 611 133	(5 905 560)	**16 705 573**	14 765 729	**(1 939 844)**	6
Interest on outstanding debtors	-	-	**-**	1 086 379	**1 086 379**	7
Transfer revenue						
Government grants & subsidies	56 173 000	115 184 287	**171 357 287**	93 435 734	**(77 921 553)**	8
Fines, Penalties and Forfeits	909 656	(748 773)	**160 883**	4 836	**(156 047)**	9
Total revenue from non-exchange transactions	**79 693 789**	**108 529 954**	**188 223 743**	**109 292 678**	**(78 931 065)**	
Total revenue	**156 955 592**	**120 475 267**	**277 430 859**	**166 758 718**	**(110 672 141)**	
Expenditure						
Employee related costs	(47 115 435)	2 731 284	**(44 384 151)**	(41 240 865)	**3 143 286**	10
Remuneration of councillors	(3 766 354)	(228 442)	**(3 994 796)**	(4 718 363)	**(723 567)**	11
Depreciation and amortisation	(9 720 187)	1 862 756	**(7 857 431)**	(14 949 417)	**(7 091 986)**	12
Finance costs	(601 813)	(765 733)	**(1 367 546)**	(2 846 293)	**(1 478 747)**	13
Debt Impairment	(4 686 538)	-	**(4 686 538)**	(3 745 433)	**941 105**	14
Bad debts written off	(4 472 464)	3 305 151	**(1 167 313)**	(5 603 699)	**(4 436 386)**	15
Bulk purchases	(25 731 035)	(88 415)	**(25 819 450)**	(24 351 857)	**1 467 593**	16
Contracted Services	(19 759 963)	2 219 593	**(17 540 370)**	(17 588 178)	**(47 808)**	17
General Expenses	(12 709 672)	(3 302 087)	**(16 011 759)**	(16 411 432)	**(399 673)**	18
Total expenditure	**(128 563 461)**	**5 734 107**	**(122 829 354)**	**(131 455 537)**	**(8 626 183)**	
Operating surplus	**28 392 131**	**126 209 374**	**154 601 505**	**35 303 181**	**(119 298 324)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 337 541)	**(1 337 541)**	
Actuarial gains/losses	-	-	**-**	283 846	**283 846**	
	-	**-**	**-**	**(1 053 695)**	**(1 053 695)**	
Surplus for the year	**28 392 131**	**126 209 374**	**154 601 505**	**34 249 486**	**(120 352 019)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**28 392 131**	**126 209 374**	**154 601 505**	**34 249 486**	**(120 352 019)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5 671 436	(1 747 799)	**3 923 637**	4 617 511	**693 874**	19
Receivables from non-exchange transactions	35 581 928	-	**35 581 928**	14 157 784	**(21 424 144)**	20
VAT receivable	14 630 282	15 181 069	**29 811 351**	14 457 945	**(15 353 406)**	21
Receivables from exchange	15 962 594	7 054 714	**23 017 308**	29 354 522	**6 337 214**	22
Cash and cash equivalents	53 766 953	48 989 907	**102 756 860**	79 756 099	**(23 000 761)**	23
	125 613 193	**69 477 891**	**195 091 084**	**142 343 861**	**(52 747 223)**	
Non-Current Assets						
Investment property	51 845 373	195 875	**52 041 248**	28 727 247	**(23 314 001)**	24
Property, plant and equipment	294 823 882	97 703 008	**392 526 890**	425 048 914	**32 522 024**	25
Intangible assets	191 254	2 798 296	**2 989 550**	1 729 762	**(1 259 788)**	26
Heritage assets	1 151 058	-	**1 151 058**	1 151 058	**-**	27
	348 011 567	**100 697 179**	**448 708 746**	**456 656 981**	**7 948 235**	
Total Assets	**473 624 760**	**170 175 070**	**643 799 830**	**599 000 842**	**(44 798 988)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13 179 128	(58 364 138)	**(45 185 010)**	72 051 085	**117 236 095**	28
Consumer deposits	1 524 162	(108 784)	**1 415 378**	1 509 472	**94 094**	29
Employee benefit obligation	-	-	**-**	425 000	**425 000**	30
Unspent conditional grants and receipts	-	(75 184 287)	**(75 184 287)**	78 403 329	**153 587 616**	31
	14 703 290	**(133 657 209)**	**(118 953 919)**	**152 388 886**	**271 342 805**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	1 825 000	**1 825 000**	
Provisions	-	-	**-**	5 509 823	**5 509 823**	32
	-	**-**	**-**	**7 334 823**	**7 334 823**	
Total Liabilities	**14 703 290**	**(133 657 209)**	**(118 953 919)**	**159 723 709**	**278 677 628**	
Net Assets	**458 921 470**	**303 832 279**	**762 753 749**	**439 277 133**	**(323 476 616)**	
Net Assets						
Reserves						
Accumulated surplus	458 921 470	303 832 279	**762 753 749**	439 277 133	**(323 476 616)**	

1.Service charges

The correction percentage was not collected according to SA25

2.Rental of facilities

Most of the municipality's buildings are not in a good condition that is why we didn't collect

3.Licence and permit

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

There was a time when Department of Safety and liason ask the municipality we must give them space so that they can run the function of post office at the municipal building so the percentage went u

5. Interest recieved

There was a seven days account opened so the munuicipality is receiving interest every seven day that is why the interest is more

6.Property rates

Government and Mines are not paying the Property Rates so that is also causing low collection, most of the households are unemployed is indigent

8.Government grants & subsidies

On capital grants there was Additional funding of MIG and Roll-over of RBIG that wasn’t spent.

10. Employee related cost

There was vacate positions of Section 57 and Section 56 that is why we didn’t the full budgeted amount

11.Remuneration of councillors

The upper limits wasn’t paid out cause there was no council item tabled to council for the upper limits of council back pay

12. Depreciation and amortisation

The budget for depreciated was low than the actuals we will correct it with next financial year, will check on the AFS's from now on.

13. Finance cost

The budget was lower but the cause of interest charged by supplier is due to cash flow problem at the municipality

14. Bad Debts written off

The bad debts item was tabled to council on the 30 June check with Accountant Revenue if the Journal was done, we need to have actuals on this expenditure item.

15. Bulk purchases

There was cash flow problems in other months that is why we have a difference

16. Contracted services

Due to cash flow problems

19. Inventories

Due to cash flow that is why the actuals are lower

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	84 278 243	(4 416 066)	**79 862 177**	54 949 655	**(24 912 522)**	
Grants	120 944 000	44 450 129	**165 394 129**	49 144 397	**(116 249 732)**	
Interest income	367 780	3 715 726	**4 083 506**	4 062 845	**(20 661)**	
	205 590 023	**43 749 789**	**249 339 812**	**108 156 897**	**(141 182 915)**	
Payments						
Emloyee costs	(107 699 545)	2 081 615	**(105 617 930)**	(48 328 819)	**57 289 111**	
Suppliers	-	-	**-**	15 288 658	**15 288 658**	
Capital assets	(93 564 439)	(44 241 690)	**(137 806 129)**	-	**137 806 129**	
	(201 263 984)	**(42 160 075)**	**(243 424 059)**	**(33 040 161)**	**210 383 898**	
Net cash flows from operating activities	**4 326 039**	**1 589 714**	**5 915 753**	**75 116 736**	**69 200 983**	
Cash flows from investing activities						
Purchase of property, plant and equipment	5 663 417	13 752 786	**19 416 203**	50 444 135	**31 027 932**	
Cash flows from financing activities						
Net cash from (used) financing	-	-	**-**	-	**-**	
Net increase/(decrease) in cash and cash equivalents	9 989 456	15 342 500	**25 331 956**	125 560 871	**100 228 915**	
Cash and cash equivalents at the end of the year	**9 989 456**	**15 342 500**	**25 331 956**	**125 560 871**	**100 228 915**	

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [significant financial difficulties of the debtor and default or delinquency in payments or all debt outstanding for more than 360 days] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand together with economic factors such as exchange rates inflation & interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows..

Allowance for doubtful debts

Timing of Assessment
The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment
The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;

- Receivable accounts where the Municipality is the owner; and receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.
- Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.
- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and all accounts with balances outstanding 31 days and longer as these accounts are considered to be past due.

1.5 Investment property

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

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

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

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

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

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

1.5 Investment property (continued)

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

Fair value

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

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

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

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

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

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

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

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

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for investment property which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.6 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	7- 10 years
Motor vehicles	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Wastewater network	Straight-line	20- 100 years
Water network	Straight-line	15- 80 years
Service concession assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years

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

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.7 Site restoration and dismantling cost

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

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

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

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

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

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

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

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

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

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

1.8 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

1.9 Heritage assets (continued)

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.10 Financial instruments

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

1.11 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

1.11 Statutory receivables (continued)

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.13 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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

1.13 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Impairment of cash-generating assets

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

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

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

1.15 Tax (continued)

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

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

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

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

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

Useful life is either:

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

1.15 Tax (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 Tax (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

1.16 Impairment of non-cash-generating assets (continued)

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

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

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

Designation

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes as a minimum:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.18 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

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

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

1.20 Revenue from exchange transactions (continued)

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.21 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in

the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

1.21 Revenue from non-exchange transactions (continued)

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

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

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.21 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Bequests

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

Services in-kind

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

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

1.22 Investment income

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

1.23 Borrowing costs

1.24 Accounting by principals and agents

Identification

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

1.26 Unauthorised expenditure (continued)

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

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

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

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

1.29 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

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

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

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

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

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

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

1.30 Related parties (continued)

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Segment information

A segment is an activity of an entity:

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

Measurement

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

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

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (amended) : Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 103: (amended): Heritage Assets	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• Amendments to GRAP 1: going concern issued December2022	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• IGRAP 21 on The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• Improvements to Standards of GRAP (2021)	01 April 2023	Unlikely there will be a material impact

3. Inventories

	2023	2022
Land	1 006 342	1 006 342
Consumable stores	1 042 496	1 226 512
Maintenance materials	2 507 098	1 287 749
Water for distribution	61 575	58 725
	4 617 511	**3 579 328**

Inventory pledged as security

There was no Inventory pledged as security .

4. Receivables from non-exchange transactions

	2023	2022
Gross balances		
Consumer debtors - Rates	21 045 789	22 949 613
Less: Allowance for impairment		
Consumer debtors - Rates	(6 888 005)	(4 992 459)
Net balance		
Consumer debtors - Rates	14 157 784	17 957 154

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions (continued)

Rates		
Current (0 -30 days)	963 055	4 993 805
31 - 60 days	1 032 701	1 029 305
61 - 90 days	1 500 470	948 064
91 - 120 days	609 317	924 774
121 - 150 days	639 383	1 989 289
151 - 180 days	570 087	681 807
> 181 days	15 730 775	12 382 570
	21 045 788	**22 949 614**

5. VAT receivable

VAT	14 457 945	13 898 875

VAT receivable is a statutory debtor as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This receivable arises whenever the municipality enters into vatable transactions and is recognised at 15% on the transaction amount.

Pledged as security
The statutory receivables have not been pledged as security.

6. Receivables from exchange transactions

Gross balances		
Electricity	11 551 550	6 703 202
Water	30 013 899	24 836 898
Sewerage	12 795 617	11 524 105
Refuse	13 557 726	12 153 759
Rental	58 157	54 689
Sundry receivables	1 891 153	1 766 775
	69 868 102	**57 039 428**
Less: Allowance for impairment		
Electricity	(2 665 705)	(2 486 220)
Water	(19 305 722)	(18 440 396)
Sewerage	(9 942 269)	(9 008 506)
Refuse	(8 599 884)	(6 870 305)
	(40 513 580)	**(36 805 427)**
Net balance		
Electricity	8 885 845	4 216 982
Water	10 708 177	6 396 502
Sewerage	2 853 348	2 515 599
Refuse	4 957 842	5 283 454
Housing rental	58 157	54 689
Sundry Receivables	1 891 153	1 766 775
	29 354 522	**20 234 001**

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	2 446 608	1 692 248
31 - 60 days	929 818	244 585
61 - 90 days	249 735	363 743
91 - 120 days	179 742	149 865
121 - 150 days	180 935	273 989
151 - 180 days	1 411 766	157 917
> 181 days	6 152 947	3 820 853
	11 551 551	**6 703 200**

Water		
Current (0 -30 days)	763 943	3 233 900
31 - 60 days	2 608 385	608 702
61 - 90 days	622 775	1 117 379
91 - 120 days	634 320	837 637
121 - 150 days	619 416	801 399
151 - 180 days	789 689	597 770
> 181 days	23 975 372	17 640 111
	30 013 900	**24 836 898**

Sewerage		
Current (0 -30 days)	439 382	935 959
31 - 60 days	341 929	225 650
61 - 90 days	295 648	202 562
91 - 120 days	290 937	196 926
121 - 150 days	286 074	555 093
151 - 180 days	289 744	177 522
> 181 days	10 851 903	9 230 393
	12 795 617	**11 524 105**

Refuse		
Current (0 -30 days)	765 737	1 156 964
31 - 60 days	683 985	577 709
61 - 90 days	657 640	558 159
91 - 120 days	624 910	497 919
121 - 150 days	362 151	657 412
151 - 180 days	363 151	248 722
> 181 days	10 100 152	8 456 874
	13 557 726	**12 153 759**

Housing rental		
Current (0 -30 days)	4 907	-
31 - 60 days	4 164	10 946
61 - 90 days	2 399	10 445
91 - 120 days	1 917	4 777
121 - 365 days	1 897	9 224
151 - 180 days	1 914	4 792
> 181 days	40 958	14 505
	58 156	**54 689**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(28 624 763)	(20 381 370)
Contributions to allowance	-	(17 496 935)
	(28 624 763)	**(37 878 305)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, - (2022: -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

7. Cash and cash equivalents

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

Municipality do not have a bank overdraft facility

Cash on hand	180	-
Bank balances	1 143 683	113 280
Short-term deposits	78 612 236	75 690 064
	79 756 099	**75 803 344**

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
First National Bank - BusinessChequeAccount 52003878794	1 143 729	113 335	362 993	1 143 683	113 279	362 993
First National Bank - MIGCallaccount 62021476313	27 068 087	12 590 746	11 478 864	27 068 087	12 590 746	11 478 864
First National Bank - WSIGCallaccount627148 46500	19 732	392 217	7 165 935	19 732	392 217	7 165 935
First National Bank - EQSCallaccount6262739 5347	5 000	2 000	1 019 862	5 000	2 000	1 019 862
First National Bank - FMGCallaccount6262739 6155	-	5 000	5 004	-	5 000	5 004
First National Bank - EPWPCallaccount62627 396915	-	5 000	5 000	-	5 000	5 000
First National Bank - LibraryCallaccount62627 394498	-	5 000	5 000	-	5 000	5 000
First National Bank - DisasterManagement account 62822654530	1 453	1 466	10 841	1 453	1 466	10 841
First National Bank - INEPCallaccount6228923 3547	5 000	317 417	18	5 000	317 417	18
First National Bank - Trafficaccount 62798890630	3 031	4 219	5 359	3 031	4 219	5 359
First National Bank - TOA76200036773	51 230 360	62 367 000	-	51 230 360	62 367 000	-
FirstNational Bank- Retentionaccount 76203316875	279 573	-	-	279 573	-	-
Total	**79 755 965**	**75 803 400**	**20 058 876**	**79 755 919**	**75 803 344**	**20 058 876**

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28 727 247	-	28 727 247	28 537 851	-	28 537 851

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	28 537 851	290 580	(101 184)	28 727 247

Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	51 845 372	(23 777 257)	469 736	28 537 851

Pledged as security

No Investment property was pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	58 498 396	(22 923 936)	35 574 460	56 974 461	(22 923 936)	34 050 525
Plant and machinery	2 404 830	(1 922 861)	481 969	2 401 040	(1 591 655)	809 385
Furniture and fixtures	1 807 767	(1 425 233)	382 534	1 494 444	(1 235 247)	259 197
Transport Assets	8 949 228	(6 877 084)	2 072 144	7 590 793	(6 143 700)	1 447 093
IT equipment	2 635 441	(1 988 859)	646 582	2 463 275	(1 640 686)	822 589
Electrical Infrastructure	114 212 928	(70 393 575)	43 819 353	113 935 717	(67 159 085)	46 776 632
Community facilities	11 529 936	(10 295 351)	1 234 585	11 529 936	(10 125 282)	1 404 654
Roads Infrastructure	175 080 178	(99 337 159)	75 743 019	166 435 188	(99 215 264)	67 219 924
Solid Waste Infrastructure	5 570 722	(3 676 647)	1 894 075	6 732 944	(3 518 471)	3 214 473
Storm water Infrastructure	-	(9 291 021)	(9 291 021)	-	(8 874 109)	(8 874 109)
Sanitation Infrastructure	137 050 642	(36 380 606)	100 670 036	117 058 801	(32 845 245)	84 213 556
Water supply infrastructure	77 105 445	(32 050 066)	45 055 379	76 830 354	(30 477 094)	46 353 260
Work in progress	119 396 788	-	119 396 788	87 803 821	-	87 803 821
Buildings	17 087 280	(9 718 269)	7 369 011	17 160 448	(9 263 708)	7 896 740
Total	**731 329 581**	**(306 280 667)**	**425 048 914**	**668 411 222**	**(295 013 482)**	**373 397 740**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	34 050 525	-	-	-	22 923 936	1 523 935	-	(22 923 936)	35 574 460
Plant and machinery	809 385	3 790	-	-	-	-	(331 206)	-	481 969
Furniture and fixtures	259 197	313 323	-	-	-	-	(189 986)	-	382 534
Transport assets	1 447 093	1 331 962	-	-	-	-	(706 911)	-	2 072 144
Computer equipment	822 589	112 652	56 897	-	-	-	(345 556)	-	646 582
Electrical Infrastructure	46 776 632	244 597	-	-	-	-	(3 201 876)	-	43 819 353
Community facilities	1 404 654	-	-	-	-	-	(170 069)	-	1 234 585
Roads Infrastructure	67 219 924	12 540 613	-	(1 092 462)	-	-	(2 925 056)	-	75 743 019
Solid Waste Infrastructure	3 214 473	-	-	-	-	(1 162 222)	(158 176)	-	1 894 075
Storm water Infrastructure	(8 874 109)	1 780 978	-	(82 199)	-	(1 523 935)	(591 756)	-	(9 291 021)
Sanitation Infrastructure	84 213 556	20 323 533	-	(187 361)	-	-	(3 679 692)	-	100 670 036
Water supply infrastructure	46 353 260	777 683	-	(17 705)	-	-	(2 057 859)	-	45 055 379
Work in progress	87 803 821	6 188 036	54 341 614	-	(28 936 683)	-	-	-	119 396 788
Buildings	7 896 740	15 257	(206 350)	-	-	-	(336 636)	-	7 369 011
	373 397 740	**43 632 424**	**54 192 161**	**(1 379 727)**	**(6 012 747)**	**(1 162 222)**	**(14 694 779)**	**(22 923 936)**	**425 048 914**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Work-in progress	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	35 962 477	-	-	-	21 011 984	-	-	(22 923 936)	34 050 525
Plant and machinery	719 564	382 484	-	-	-	(1 359)	(291 304)	-	809 385
Furniture and fixtures	245 151	340 666	(28 527)	-	-	(174 381)	(123 712)	-	259 197
Transport assets	2 066 271	-	(87 366)	-	-	(40 882)	(490 930)	-	1 447 093
Computer equipment	1 030 877	265 130	-	-	-	(225 564)	(247 854)	-	822 589
Electrical Infrastructure	50 539 883	-	-	-	-	6 719	(3 769 970)	-	46 776 632
Community facilities	1 582 178	-	-	-	-	-	(168 767)	(8 757)	1 404 654
Road Infrastructure	72 766 790	-	(10 478)	-	-	(1 527 555)	(3 477 365)	(531 468)	67 219 924
Solid Waste Infrastructure	26 526 444	2 168 810	-	-	-	(25 220 577)	(260 204)	-	3 214 473
Storm Water Infrastructure	12 640 415	-	-	-	-	(20 879 171)	(635 353)	-	(8 874 109)
Sanitation Infrastructure	99 370 623	-	-	9 884 374	-	(20 841 822)	(4 199 619)	-	84 213 556
Water supply infrastructure	49 595 873	-	(51 361)	-	-	(527 399)	(2 396 098)	(267 755)	46 353 260
Work in progress	-	-	-	-	-	87 803 821	-	-	87 803 821
Buildings	8 765 765	-	(11 238)	-	-	(195 506)	(657 755)	(4 526)	7 896 740
	361 812 311	**3 157 090**	**(188 970)**	**9 884 374**	**21 011 984**	**18 176 324**	**(16 718 931)**	**(23 736 442)**	**373 397 740**

Pledged as security

There was no assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

Reconciliation of Work-in-Progress 2022

	Buildings	Electrical Infrastructure	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	722 087	-	1 527 510	10 957 449	25 218 491	527 399	38 952 936
Additions	-	-	9 835 905	10 046 035	18 110 265	-	37 992 205
Total	**722 087**	**-**	**11 363 415**	**21 003 484**	**43 328 756**	**527 399**	**76 945 141**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	-	6 066 376

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

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 989 550	(1 259 788)	1 729 762	2 989 550	(833 822)	2 155 728

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Total
Computer software	2 155 728	(425 966)	1 729 762

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	2 383 782	146 275	(374 329)	2 155 728

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2023			2022		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	1 151 058	-	1 151 058	1 151 058	-	1 151 058

Reconciliation of heritage assets 2023

	Opening balance	**Total**
Historical buildings	1 151 058	1 151 058

Reconciliation of heritage assets 2022

	Opening balance	**Total**
Historical buildings	1 151 058	1 151 058

Impairment indications

There was no indication of impairment of Heritage assets as at year end.

Pledged as security

There was no Heritage assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Payables from exchange transactions

Trade payables	52 082 613	32 725 187
Other payable	1 689 790	1 689 790
Accrued bonus	1 213 007	1 107 900
Accrued expense	11 339	11 339
Unallocated deposits	418 317	193 513
Salary control account	2 317 931	1 556 317
Retention	6 162 515	-
Leave pay	2 469 911	2 743 336
Debtors with credit balance	5 085 324	4 431 656
Cash-in-Transit	600 338	365 914
	72 051 085	**44 824 952**

13. Consumer deposits

Electricity	1 509 472	1 399 288

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations

Long service award

The Long Service Award are defined benefit plans. As at year end, 115 employees were eligible for Long Service Award.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

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

Carrying value		
Opening Balance	(2 220 000)	(1 860 156)
Current-service cost	(273 000)	(194 157)
Interest cost	(239 000)	(159 719)
Benefits vesting	198 154	21 153
Acturial loss	283 846	(27 121)
	(2 250 000)	**(2 220 000)**

Non-current liabilities	(1 825 000)	(2 028 000)
Current liabilities	(425 000)	(192 000)
	(2 250 000)	**(2 220 000)**

The municipality offers bonuses for every 5 years of completed services from 10 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may wholly or partially cashed. Employees in most cases choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Net expense recognised in the statement of financial performance:

Net expense recognised in the statement of financial performance	-	359 844

Net expense recognised in the statement of financial performance

Current service cost	-	194 157
Interest cost	-	159 719
Actuarial (gains) losses	-	27 121
Settlement	-	(21 153)
	-	**359 844**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	- %	11,25 %
Expected rate of return on assets	- %	3,56 %
Expected increase in salaries	- %	7,42 %
Average retirement age	62	
Pre-retirement mortality	SA85-90	

Long service award
The members of the long service award are made up as follows:
There are 115 employees that are currently entitled to Long Service Awards

Movements in the present value of the defined benefit obligations were as follows:

	2023	2022
Opening balance	-	1 860 156
Total annual expenditure	-	332 723
Acturial loss/(gains)	-	27 121
	-	**2 220 000**

The basis used to determine the overall expected rate of return on assets is as follows
A discount rate of 11.25% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield index-linked yield is 4.07%.These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022. The duration of the total liability was estimated to be 10.25 years curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability).The corresponding liability-weighted index-linked yield is 4.07%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained fromthe JSE after the market close on 30 June 2022. The duration of the total liability was estimated to be 10.25 years

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

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Other assumptions

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

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

	2023	2022	2021	2020	2019
Defined benefit obligation	-	2 220 000	1 860 000	1 353 000	1 418 000
Surplus (deficit)	-	(2 220 000)	(1 860 000)	(1 353 000)	(1 418 000)
Experience adjustments on plan liabilities	-	(33 879)	-	-	-

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

Heading	Change	Liability	% Change
Central assumptions		2 220 000	
General earnings inflation rate	+1%	2 362 000 6%	
	-1%	2 092 000 -6%	
Discount rate	+1%	2 090 000 -6%	
	-1%	2 367 000 7%	
Average retirement age	+2 yrs	2 293 000 3%	
	-2 yrs	1 959 000 -12%	
Withdrawal rates	x2	1 712 000 -23%	
	x0,5	2 586 000 16%	
		19 681 000	

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2022

Assumption	Change		Current-service cost	Interest cost	Total	% Change
Central assumptions		-	194 157	159 719	353 876	-
General earningsinflation rate	+1%		210 832	171 292	382 124 8%	
Mortality	-1%		179 291	149 270	328 561 -7%	
	-2 yrs		195 311	160 693	356 004 1%	
		(2)	**779 591**	**640 974**	**1 420 565**	**2**

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change		Current-service cost	Interest cost	Total	% Change
Central assumptions		-	273 000	239 000	512 000	-
General earningsinflation rate	+1%		296 000	255 000	551 000 8%	
	-1%		253 000	225 000	478 000 -7%	
Discount rate	+1%		255 000	245 000	500 000 -2%	
	-1%		294 000	233 000	527 000 3%	
Average retirement age	+2 yrs		280 000	247 000	527 000 3%	
	-2 yrs		249 000	210 000	459 000 -10%	
Withdrawal rates	x2		189 000	182 000	371 000 -28%	
	x0.5		339 000	280 000	619 000 21%	
			-	**-**	**-**	

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Impact of COVID-19
It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.
The sensitivities in Table 7.1 (and 7.3) above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate,or an increase in the withdrawal rates.
Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EPWP	(5)	-
Municipal Infrastructure Grant - MIG	31 957 717	12 486 317
Housing Grant	66 792	66 792
Regional bulk infrastructure grant - RBIG	46 372 372	62 367 000
Disaster Management Grant	1 436	1 436
Water Infrastructure Grant - WSIG	-	420 709
Energy Effieciency Grant	5 017	323 809
	78 403 329	**75 666 063**

Movement during the year

Balance at the beginning of the year	75 666 063	18 687 938
Additions during the year	96 173 000	145 763 000
Income recognition during the year	(93 435 734)	(88 784 875)
	78 403 329	**75 666 063**

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

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

Figures in Rand	2023	2022

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Total
Environmental rehabilitation	6 672 044	5 509 823

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	3 561 861	3 110 183	6 672 044

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 9.39%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is materialsettle the obligation.A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Key assumptions

Landfill site perimeter	920 m
Landfill site Rehabilitation Area	38 200 m²
Total landfill volume as at June 2022	76 160.00 m3
Rehabilitation volume at June 2022	53 342.90 m3
Remaining landfill volume as at June 2022	22 817.10 m3
Remaining airspace as at June 2022	22 817.20 m3
Site remaining life as at June 2022- RUL years	2 years
Additional years lying fallow before restoration	1 years
The applicable discount rate (Bond rate)	9,39%
Inflation	7.40%
Net effective discount rate	1.99%

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Revenue

Service charges	47 722 484	43 364 516
Rental of facilities and equipment	149 053	180 864
Licences and permits	427 941	293 781
Other income	134 446	264 104
Interest on outstanding receivables	9 032 116	4 064 177
Property rates	14 765 729	15 034 710
Government grants & subsidies	93 435 734	88 784 874
Public contributions and donations	-	1 822 678
Fines, Penalties and Forfeits	4 836	34 452
	165 672 339	**153 844 156**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	47 722 484	43 364 516
Rental of facilities and equipment	149 053	180 864
Licences and permits	427 941	293 781
Other income	134 446	264 104
Interest received - investment	9 032 116	4 064 177
	57 466 040	**48 167 442**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	14 765 729	15 034 710
Transfer revenue		
Government grants & subsidies	93 435 734	88 784 874
Public contributions and donations	-	1 822 678
Fines, Penalties and Forfeits	4 836	34 452
	108 206 299	**105 676 714**

18. Service charges

Sale of electricity	24 650 733	25 504 526
Sale of water	10 988 132	8 517 725
Solid waste	7 617 470	6 332 696
Sewerage and sanitation charges	4 466 149	3 009 569
	47 722 484	**43 364 516**

19. Rental of facilities and equipment

Premises		
Premises	149 053	182 458
Facilities and equipment		
Rental of equipment	-	(1 594)
	149 053	**180 864**

Figures in Rand	2023	2022

20. Other income

Advertisements	9 686	(12 916)
Building plans	11 463	34 497
Consolidation and rezoning fees	230	9 357
Cemetries and Burials	15 865	24 459
Skills development refund	8 923	90 174
Clearance Fees	14 434	2 658
New Connections	-	120
Photocopies and Faxes	1 550	(292)
Reconection fees	2 755	72 868
Sale of goods - Tender documents	36 652	1 739
Valuation services	615	1 038
Sundries	32 273	40 402
	134 446	**264 104**

21. Interest received

Interest revenue		
Interest charged on receivables	3 427 285	2 683 200
Interest on cash and cash equivalents	5 604 831	1 380 977
	9 032 116	**4 064 177**

22. Licences and permits (exchange)

Road and Transport	427 941	293 781

23. Property rates

Rates received

Residential	8 327 378	8 212 672
Commercial	3 183 816	3 670 702
Government	717 309	718 515
Small holdings and farms	289 518	287 682
Property rates 2	2 210 930	2 110 433
Property rates - - PSI	36 778	34 706
	14 765 729	**15 034 710**

Valuations

Residential	623 716 300	623 716 300
Commercial	1 282 347 859	1 282 347 859
Government	34 008 000	34 008 000
Municipal	64 244 100	64 244 100
	2 004 316 259	**2 004 316 259**

24. Interest from non-exchange receivables

Property rates	1 086 379	706 290

Figures in Rand	2023	2022

25. Government grants and subsidies

Operating grants		
Equitable share	30 490 000	25 503 000
Library Grant	1 100 000	1 000 000
Expanded Public Works Programme	1 073 005	1 075 000
Financial Management Grant	3 000 000	2 850 000
	35 663 005	**30 428 000**
Capital grants		
Energy Efficiency Grant	318 792	2 676 208
Municipal Infrastructure Grant	29 038 600	43 715 468
Disaster management grant	-	1 837 564
Municipal Water Infrastructure Grant	12 420 709	10 127 634
Regional bulk infrastructure grant	15 994 628	-
	57 772 729	**58 356 874**
	93 435 734	**88 784 874**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	133 956 129	164 384 129
Unconditional grants received	-	30 428 000
	133 956 129	**194 812 129**

EPWP

Current-year receipts	1 073 005	1 075 000
Conditions met - transferred to revenue	(1 073 005)	(1 075 000)
	-	**-**

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

Financial Management Grant

Current-year receipts	3 000 000	2 850 000
Conditions met - transferred to revenue	(3 000 000)	(2 850 000)
	-	**-**

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	12 486 317	12 072 786
Current-year receipts	48 510 000	44 129 000
Conditions met - transferred to revenue	(29 038 600)	(43 715 469)
	31 957 717	**12 486 317**

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

Housing Grant

Balance unspent at beginning of year	66 792	66 792

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Surrender of surpluses (continued)

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

Library Grant

Current-year receipts	1 100 000	1 000 000
Conditions met - transferred to revenue	(1 100 000)	(1 000 000)
	-	-

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

Regional bulk infrastructure grant

Balance unspent at beginning of year	62 367 000	-
Current-year receipts	-	62 367 000
Conditions met - transferred to revenue	(15 994 628)	-
	46 372 372	**62 367 000**

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

Disaster Management Grant

Balance unspent at beginning of year	1 436	-
Current-year receipts	-	1 839 000
Conditions met - transferred to revenue	-	(1 837 564)
	1 436	**1 436**

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

Water infrastructure grant - WSIG

Balance unspent at beginning of year	420 709	6 548 343
Current-year receipts	27 994 628	4 000 000
Conditions met - transferred to revenue	(28 415 337)	(10 127 634)
	-	**420 709**

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

Energy efficiency grant

Balance unspent at beginning of year	323 809	17
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(318 792)	(2 676 208)
	5 017	**323 809**

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

26. Public contributions and donations

Private donations/assistance received	-	1 822 678

Figures in Rand	2023	2022

27. Fines, Penalties and Forfeits

Municipal Traffic Fines	4 836	34 452

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs

Basic	27 888 621	25 633 970
Bonus	2 251 128	1 910 696
Medical aid	1 979 861	2 045 139
UIF	238 549	232 822
SDL	336 905	322 376
Leave pay provision charge	(273 425)	(60 188)
Leave pay	275 562	430 488
Standby Allowance	245 458	238 934
Cellular and Telephone Allowance	19 600	15 100
Employee benefit obligation	-	173 004
Overtime payments	1 557 184	1 459 980
Long-service awards	56 641	43 527
Acting allowances, Danger and Backpay	2 046 587	2 885 533
Housing benefits and other allowances	110 889	174 132
Bargaining Council	13 823	22 708
Group Life Insurance	88 649	15 146
Pension Contributions	4 290 990	4 374 428
Scarcity allowance	113 843	110 098
	41 240 865	**40 027 893**

Remuneration of acting municipal manager: M January (1 July 2021- February 2022)

Annual Remuneration	-	442 753
Contributions to SDL	-	6 774
Scarcity allowance	-	50 733
Contributions to UIF	-	1 417
	-	**501 677**

Remuneration of chief financial officer: ON Sauli

Annual Remuneration	-	326 025
Housing allowance	-	159 308
Scarcity allowance	-	37 172
Contributions to UIF	-	1 417
Contributions to SDL	-	5 000
	-	**528 922**

Remuneration of the technical manager: T Barnett

Annual Remuneration	-	83 747
Scarcity allowance	-	9 509
Contributions to UIF	-	354
Contributions to SDL	-	1 309
	-	**94 919**

Remuneration of acting municipal manager: AK TIETIES (1 May 2022-31 July 2022)

Annual Remuneration	55 344	110 688
Scarcity allowance	6 342	12 683
Contributions to UIF	354	1 449
Back Pay	91 964	-
Contributions to SDL	1 858	5 214
	155 862	**130 034**

Remuneration of Municipal Manager (Adv W BLUNDIN)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs (continued)

Annual Remuneration	959 035	-
Scarcity Allowance	63 699	-
Skills Development Levy	10 227	-
Unemployment Insurance Fund	1 948	-
	1 034 909	**-**

Remuneration of Chief Financial Officer (KS SCHOLTZ)

Annual Remuneration	143 167	-
Scarcity Allowance	10 022	-
Skills Development Levy	1 532	-
Unemployment Insurance Fund	354	-
	155 075	**-**

Remuneration of the technical manager: SB Sehole

Annual Remuneration	284 243	-
Housing allowance	94 748	-
Scarcity allowance	33 781	-
Skills Development Levy	4 886	-
Unemployment Insurance Fund	1 063	-
	418 721	**-**

29. Remuneration of councillors

Executive Mayor Basic salary	845 227	795 277
Councillors and Speaker Basic salary	3 385 506	2 512 998
Skills Development Levy	42 796	33 603
Unemployment insurance fund	2 834	14 589
Executive Mayor Cellphone Allowance	40 800	43 118
Councillors & Speaker Cellphone Allowance	401 200	335 982
	4 718 363	**3 735 567**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

Additional information

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

30. Depreciation and Amortisation

Property, plant and equipment	14 694 779	16 834 300
Intangible assets	254 638	-
	14 949 417	**16 834 300**

31. Finance costs

Trade and other payables	2 607 293	1 722 919
Long Service Awards	239 000	159 719
	2 846 293	**1 882 638**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Debt impairment

Debt impairment	3 745 433	3 763 892

33. Bulk purchases

Electricity - Eskom	24 351 857	24 636 879

Electricity losses

Units purchased	(15 712 584)	(17 558 988)
Units sold	11 635 164	13 343 804
Total loss	**(4 077 420)**	**(4 215 184)**

Percentage Loss:		
Non-technical losses	26 %	27 %

Water losses

34. Contracted services

Outsourced Services		
Meter Management	432 724	378 072
Personnel and Labour	1 451 945	788 998
Professional Staff	7 101 716	6 945 375
Refuse Removal	2 357 875	2 084 135
Security Services	3 158 483	2 406 598
Contractors		
Maintenance of Buildings and Facilities	239 354	692 654
Maintenance of Vehicle, Plant and Machinery	1 227 665	2 294 433
Maintenance of Infrastructure	1 618 416	3 158 916
Prepaid Water Vendors	-	385 544
	17 588 178	**19 134 725**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. General expenses

Advertising and communication	112 092	133 594
Auditors remuneration	4 280 936	2 899 488
Bank charges	251 913	255 192
Cleaning	1 000	-
Commission paid	1 919 639	706 008
Consumables	1 819 256	1 927 422
Catering Services	114 416	111 280
Insurance	531 830	439 910
Fleet	40 329	58 723
Medical expenses	400	2 940
Motor vehicle expenses	116 528	101 444
Fuel and oil	1 549 919	1 222 959
Postage and courier	934	4 439
Printing and stationery	192 416	157 097
Protective clothing	358 759	304 721
Software expenses	1 344 347	259 496
Subscriptions and membership fees	32 089	566 347
Telephone and fax	647 047	627 723
Training	176 015	20 277
Travel - local	1 446 527	466 396
Ward committees	618 838	141 000
Water sample testing	296 480	362 647
Licences and permits	52 614	278 022
Sundry expenses	507 108	243 438
Secondment municipal expense	-	744 942
	16 411 432	**12 035 505**

36. Auditors' remuneration

Fees	4 280 936	2 899 488

37. Cash generated from operations

Surplus	34 249 486	8 131 742
Adjustments for:		
Depreciation and amortisation	14 949 417	39 758 236
Gain on sale of assets and liabilities	1 053 695	981 110
Debt impairment	3 745 433	3 763 892
Bad debts written off	5 603 699	435 138
Movements in retirement benefit assets and liabilities	30 000	359 844
Movements in provisions	(1 162 221)	3 110 183
Changes in working capital:		
Inventories	(1 038 183)	(779 774)
Consumer debtors	(9 120 521)	(10 319 567)
Other receivables from non-exchange transactions	3 799 370	(1 885 008)
Payables from exchange transactions	27 226 133	7 681 643
VAT	(559 070)	(7 718 277)
Unspent conditional grants and receipts	2 737 266	56 978 125
Consumer deposits	110 184	(153 544)
	81 624 688	**100 343 743**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	166 633 184	91 806 013
Total capital commitments		
Already contracted for but not provided for	166 633 184	91 806 013

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	166 633 184	91 806 013

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Related parties

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

Relationships

Councillor. MG Ngesi	Bokamoso NS Trading, Monate Mpolaye CrewMPCPhatsimo 101
Councillor. R Losper	Rene's Maitenance Enterprises (Derigestered), LadyLosper Cleaning Services (Deregistering process)
Councillor. EM Sulliman	Ebrahim Sulliman Farming Enterprise, TaanilConstruction
N Prince (Party representative)	Yinhla Training and Business Consulting FirmDeregistering process), Grand Bridge Trading95
Councillor. SG Edwards	Seteisene Trading and Projects, Divine VisionGeneral TradiningIts Possible Trading
M January (Municipal Manager)	Central Bridge Trading 472
T Barnett (Technical Manager)	Sophos Architekton Engineering and Projects,Sophos Group
O Louw (Former CFO)	Kagoenhle
Gabanthate Dorcas Burger	Rekathusa Cleaning Services

Related party balances

	2023	2022
Loan accounts - Owing (to) by related parties		
SG Edwards	-	2 291
T Barnett	-	306
Amounts included in Trade receivable (Trade Payable) regarding related parties		
EM Sulliman	-	6 026
SG Edwards	-	3 039
F Maritz	1 463	1 487
GD BURGER	11 443	13 913
F SEBELEGO	11 397	16 359
J&S SLINGER	2 080	3 569
Commitments with related parties		
Management of Landfill site	6 567 175	6 567 175

The former CFO, ON Louw disclosed that she was the daughter of L.R Louw (Director of Etona Events and Projects)
EA Sulliman disclosed that his son is a director for Taanil contruction.

The municipality incurred the following expenditure with the related parties:

	2023	2022
Expenses recognised in respect of bad or doubtful debts		
Etona Events	-	27 152
Taanil Construction	16 466 296	23 117 507

Related party transactions

Remuneration of management

Management class: Councillors

39. Related parties (continued)

2023

Name	Basic salary	Unemployment Insurance fund	cellphone allowance	Skills Development Levy	Backpay	Total
Ms NI WILLIAMS (Mayor)	828 233	-	40 800	8 165	16 994	894 192
Mr MG LEUTLWETSE (Speaker)	662 587	177	40 800	6 966	13 642	724 172
Miss AC VAN ZYL	336 370	177	40 800	3 630	6 229	387 206
Miss P LEBURU	86 944	177	13 600	993	5 537	107 251
Miss TS HARMSE	105 555	177	13 600	1 192	6 841	127 365
Mr DR PIENAAR	268 129	177	40 800	2 689	18 690	330 485
Mr EM SULLIMAN	-	-	-	26	2 551	2 577
Mr F MARITZ	262 106	177	40 800	2 880	5 536	311 499
Mr F SEBELEGO	336 370	177	40 800	3 638	7 048	388 033
Mr J SLINGER	262 106	177	40 800	2 625	5 536	311 244
Mr MG NGESI	-	-	-	26	2 551	2 577
Mr N PRINCE	-	-	-	26	2 551	2 577
Mr RC LESSING	-	-	-	26	2 551	2 577
Mr S VUKEYA	224 792	-	40 800	2 625	-	268 217
Mrs GD BURGER	262 106	177	27 200	2 411	5 537	297 431
Mrs RV HAAI	346 536	177	40 800	3 405	7 238	398 156
Ms R LOSPER	-	-	-	81	8 061	8 142
Ms SG EDWARDS	-	-	-	40	4 261	4 301
Mr GL TETEME	127 545	1 063	20 400	1 377	-	150 385
	4 109 379	**2 833**	**442 000**	**42 821**	**121 354**	**4 718 387**

2022

Name	Basic salary	Unemployment Insurance fund	cellphone allowance	Skills Development Levy	Total
Ms NI WILLIAMS (Mayor)	608 431	-	39 718	5 874	654 023
Mr MG LEUTLWETSE (Speaker)	400 993	1 417	26 118	4 141	432 669

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Miss AC VAN ZYL	292 667	2 125	39 718	3 125	337 635
Miss P LEBURU	163 297	1 396	26 118	1 764	192 575
Mr DR PIENAAR	181 366	1 396	26 118	1 753	210 633
Mr EM SULLIMAN	85 030	-	13 600	918	99 548
Mr F MARITZ	163 297	1 408	26 118	1 775	192 598
Mr F SEBELEGO	207 637	1 417	26 118	2 207	237 379
Mr J SLINGER	163 297	1 396	26 118	1 657	192 468
Mr MG NGESI	85 030	-	13 600	918	99 548
Mr N PRINCE	85 030	-	13 600	918	99 548
Mr RC LESSING	85 030	-	13 600	918	99 548
Mrs GD BURGER	163 297	1 396	26 118	1 657	192 468
Mrs RV HAAI	213 146	1 417	26 118	2 133	242 814
Ms R LOSPER	268 689	-	13 600	2 352	284 641
Ms SG EDWARDS	142 039	1 219	22 720	1 493	167 471
	3 308 276	**14 587**	**379 100**	**33 603**	**3 735 566**

40. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated		Re
Assets							
Current Assets							
Inventories	3	2 339 460	1 239 868	-	3 579 328	[4]	
Other Debtors	4	-	-	-	-	[]	
Receivables from non-exchange transactions	4	18 115 309	(158 155)	-	17 957 154	[2]	
VAT receivable	5	15 716 060	(1 817 185)	-	13 898 875	[2.2]	
Receivables from exchange transactions	6	25 805 932	(5 571 931)	-	20 234 001	[3]	
Cash and cash equivalents	7	75 803 344	-	-	75 803 344	[]	
		137 780 105	**(6 307 403)**	**-**	**131 472 702**		
Non-Current Assets							
Investment property	8	52 041 248	(23 503 397)	-	28 537 851		
Property, plant and equipment	9	373 938 139	(540 399)	-	373 397 740	[5]	
Intangible assets	10	2 155 728	-	-	2 155 728	[]	
Heritage assets	11	1 151 058	-	-	1 151 058		
		429 286 173	**(24 043 796)**	**-**	**405 242 377**		
Total Assets		**567 066 278**	**(30 351 199)**	**-**	**536 715 079**		
Liabilities							
Current Liabilities							
Short-term employee benefit		3 592 406	(849 070)	(2 743 336)	-	[1]	
Payables from exchange transactions	12	43 056 918	(975 302)	2 743 336	44 824 952	[1.1]	
Consumer deposits	13	1 415 378	(16 090)	-	1 399 288	[7]	
Employee benefit obligation	14	192 000	-	-	192 000		
Unspent conditional grants and receipts	15	75 666 063	-	-	75 666 063	[]	
		123 922 765	**(1 840 462)**	**-**	**122 082 303**		
Non-Current Liabilities							
Employee benefit obligation	14	2 028 000	-	-	2 028 000		
Provisions	16	6 672 044	-	-	6 672 044	[]	
		8 700 044	**-**	**-**	**8 700 044**		
Total Liabilities		**132 622 809**	**(1 840 462)**	**-**	**130 782 347**		
Net Assets		**434 443 469**	**(28 510 737)**	**-**	**405 932 732**		
Accumulated surplus		434 443 464	(28 510 659)	-	405 932 805	[1.2]	

40. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	18	41 663 453	1 701 063	-	43 364 516	[15]
Rental of facilities and equipment	19	180 864	-	-	180 864	
Agency services		-	-	-	-	
Licences and permits		-	(932 338)	1 226 119	293 781	[8]
Other income	20	427 077	(162 973)	-	264 104	[6]
Interest on Debtors and Investment	21	4 027 263	36 914	-	4 064 177	[7.1]
Total revenue from exchange transactions		**46 298 657**	**642 666**	**1 226 119**	**48 167 442**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23	14 657 516	377 194	-	15 034 710	[15.2]
Licences and Permits (Non-exchange)		1 226 119	-	(1 226 119)	-	[8]
Interest on outstanding receivables		706 290	-	-	706 290	
Transfer revenue						
Government grants & subsidies	25	88 784 874	-	-	88 784 874	
Public contributions and donations	26	1 822 678	-	-	1 822 678	
Fines, Penalties and Forfeits		24 026	10 692	(266)	34 452	[10]
Total revenue from non-exchange transactions		**107 221 503**	**387 886**	**(1 226 385)**	**106 383 004**	
Total revenue	17	**153 520 160**	**1 030 552**	**(266)**	**154 550 446**	
Expenditure						
Employee related costs	28	(40 973 274)	945 381	-	(40 027 893)	[11]
Remuneration of councillors	29	(3 934 867)	199 300	-	(3 735 567)	[12]
Administration		-	-	-	-	
Depreciation and amortisation	30	(17 957 802)	(21 800 434)	-	(39 758 236)	[9]
Finance costs	31	(1 832 223)	(50 415)	-	(1 882 638)	[16]
Debt Impairment	32	-	(3 763 892)	-	(3 763 892)	[17]
Bad debts written off	32	9 590 945	(10 026 083)	-	(435 138)	[13]
Bulk purchases	33	(24 636 879)	-	-	(24 636 879)	
Contracted services	34	(18 749 785)	(384 940)	-	(19 134 725)	[18]
Transfers and Subsidies		-	-	-	-	
General Expenses	35	(10 138 281)	(1 897 224)	-	(12 035 505)	[14]
Total expenditure		**(108 632 166)**	**(36 778 307)**	**-**	**(145 410 473)**	
Operating (deficit) surplus		**44 887 994**	**(35 747 755)**	**(266)**	**9 139 973**	
Loss on disposal of assets and liabilities		6 905	(988 015)	-	(981 110)	
Actuarial losses	14	(27 121)	-	-	(27 121)	
		(20 216)	**(988 015)**	**-**	**(1 008 231)**	
Surplus for the year		**44 867 778**	**(36 735 770)**	**-**	**8 131 742**	

* See Note 40

40. Prior period errors (continued)

[1] Short-term employee benefits (leave accrual) was reclassified to Trade and Other payables in line with GRAP 19 paragraph 18 which allows for amounts due to employees to be disclosed as part of accruals which are also part of Payables.
Short term employee benefit (bonus provision) was also adjusted for as it does not meet the definition of Provisions in line with GRAP 19 paragraph 17 which states that a provision is a liability of uncertain timing and amount. Liabilities are possible obligations arising from past events. The amount previously disclosed as Bonus provision did not result from past events as employees had not provided services to the municipality. The full amount was therefore reversed as it did not meet the definition of a provision.

[1.1] Payables from exchange transactions were restated due to corrections of differences between supplier statements and ageing analysis, licence and permits, employee lated cost and service charges.

[1.2] Accumulated surplus was restated due to all corrections done on statement of financial position and statement of financial performance.

[2] Receivables from non-exchange transactions was adjusted in accordance with GRAP 108 disclosure paragraph 32 which indicates that an entity shall provide sufficient information to permit reconciliation of information presented in the notes to the line items in the financial statements. The population was restated due to reversal of negative impairment and correction of errors and missallocations on receivables.

[2.2] VAT Receivable was restated due to corrections of errors on licence and permits, debtors from both exchange and non-exchange transactions and service charges.

[3] Receivables from exchange transactions was adjusted in accordance with GRAP 108 disclosure paragraph 32 which indicates that an entity shall provide sufficient information to permit reconciliation of information presented in the notes to the line items in the financial statements. The population was restated due to reversal of negative impairment and correction of errors and missallocations on receivables. .

[4] Inventory was adjusted due to journal JBR00445 affecting Consumables and Maintenance materials posted incorrectly in the prior year and to correct the error a reversing journal was posted. The correcting journal is recognising the inventory acquired in the prior year and issues.

[5] Property,plant and equipment adjustment is as a result of an error in opening balance for financial year 2022.

[6] Other income was restated as a result of VAT component related to other income and licence and permit transactions that were incorrectly recorded under Other income and licence and permits.

[7] Consumer deposit was adjusted due to transactions which were deplicated on opening balance

[7.1] There was an adjustment on interest due to corrections from receivables from both non-exchange and exchange transactions

[8] There was a classification error on Licences and permits as they were incorrectly classified as revenue from non-exchange transactions instead of revenue from exchange transactions. An amount of R1 226 119 was reclassified from Revenue from non exchange transactions- licences and permits to Revenue from exchange transactions- licences and permits.
Furthermore, the municipality had incorrectly accounted for funds that did not belong to the municipality as part of Licences and permits revenue. An adjustment of R897 905 was processed to ensure that the Licences and permits revenue recognised is relating to income that belongs to the municipality.

[9] Depreciation was adjusted as a result of recalculations done on fixed assets and also inventory transactions which were recorded on depreciation.

[10] There was a classification error of R266.00 emanating from an incorrect mapping of the Vote.This resulted in a decrease of R266.00 in Telephone expense from general expenditure and increase of Fines and penalties with R266.00

40. Prior period errors (continued)

[11] Employee related cost was adjusted due to incorrect classification of transactions within sub-votes of employee related cost which amounted R3 266 362.12, adjustment of R565 149.68 where general expenses transactions were recorded under employee cost, R90 359.16 main employees transactions recorded under councillors remuneration and R291 978.78 into Salary control account. The restatement was to ensure that payroll report reconciles to Annual financial statements/ Trial Balance.

[12] Councillors remuneration was adjusted due to incorrect classification of transactions within sub-votes of Councillors remuneration which amounted R272 266.85, adjustment of R95 652.31 to general expenses, R90 359.16 to employee cost , R13 288.16 to PAYE and RR817.01 to salary control.The restatement was to ensure that payroll report reconciles to Annual financial statements/ Trial Balance.

[13] Bad debts was adjusted due to a reversal of a negative impairment which was posted in the prior year, the effect of reversal resulted in increase of bad debts by R9 590.944.83 and decrease is Receivables from exchange transactions by R7 579 314.98 and Receivables from exhange transactions by R1 162 677.01

[14] There was a reclassification of transactions within sub-votes of general expenses and adjustments of transactions from employee realated cost and remuneration of councillors which resulted in a restatement.

[15] Service charges adjustment was due to a debt written off journal which was incorrectly posted as rebates and missallocation of transactions therefore the correction of the error resulted in restatement of service charges.

[15.2] Property rates adjustment was due to a debt written off journal which was incorrectly posted as rebates, property rate charges linked to incorrect tarrifs and missallocation of transactions therefore the correction of the error resulted in restatement of property

[16] Finance cost was adjusted due to recognition of interest charged in an overdue account that was not recorded in the prior year.

[17] Debt impairment was restated due to a reversal of negative impairment which was redorded in the prior year and recognition of prior year impairment recalculation,

[18] Contracted services was adjusted due to correction of classification errors noted in the prior year.

Statement of Financial Performance

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Kgatelopele Local Municipality 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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The below are the amounts that the government has committed to allocate to Kgatelopele in line with the DORA to ensure that the municipality continues with its operations.

	2023/24	2024/25	2025/26
Finance Management Grant (FMG)	3 100 000	3 100 000	3 238 00
Expanded Public Works Program (EPWP)	960 000	-	
Municipal Infrastructure Grant (MIG)	8 677 000	8 856 000	9 042 00
Integrated National Electrification Grant	-	1 500 000	2 800 00
Water Services infrastructure (WSIG)	12 975 000	13 559 000	14 163 00
Equitable Share	33 241 000	36 092 000	38 111 00
Library	1 100 000	-	
	60 053 000	**63 107 000**	**67 354 00**

42. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	264 474 262	264 474 262

43. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	5 510 916	4 745 127
Opening balance as restated	**5 510 916**	**4 745 127**
Add: Expenditure identified - current	3 572 271	765 789
Closing balance	**9 083 187**	**5 510 916**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*

44. Irregular expenditure

Opening balance as previously reported	112 305 686	99 722 594
Correction of prior period error	-	11 438 528
Opening balance as restated	**112 305 686**	**111 161 122**
Add: Irregular Expenditure - current	163 683	1 144 564
Closing balance	**112 469 369**	**112 305 686**

* See Note 40

44. Irregular expenditure (continued)

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

45. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

2023	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001	Total
Emergency	59 446	42 426	-	-	101 872
Single provider	30 153	159 798	-	-	189 951
Impractical	-	1 183 815	1 246 944	-	2 430 759
	89 599	**1 386 039**	**1 246 944**	**-**	**2 722 582**

2022	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001	Total
Emergency	-	302 679	649 630	-	952 309
Single provider	31 350	40 925	-	-	72 275
Impractical	-	899 515	1 389 769	-	2 289 284
	31 350	**1 243 119**	**2 039 399**	**-**	**3 313 868**

46. Accounting by principals and agents

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

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*

46. Statutory Receivables (continued)

Details of the arrangment(s) are as follows:

Kgatelopele Local Municipality as an Agent has and agreement with Department of Safety and Liaison which enables customers to pay for their licence ad permits services at the Municipality's point of sales. The municipality is thereafter entitled to 12% commission based on the collections made and pay over the balance to the Department

The municipality is an agent to this agreement

Reconciliation of amounts payable to the department		
Balance owing at the beginning of the year	-	7 880 064
Revenue received on behalf of principal (includes commission)	630 906	988 829
Revenue recognised by municipality as agency fee (includes VAT)	58 950	89 474
Revenue paid over to the principal	-	(1 044 163)
Balance owing at the end of year	-	7 587 289
	689 856	**15 501 493**

47. Statutory Receivables

VAT Receivable	14 457 945	13 898 875
Receivables from non-exchange (property rates)	14 157 784	17 957 154
	28 615 729	**31 856 029**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

The above are regarded as statutory receivables.

48. Financial Instruments disclosure

Categories of financial instruments

2022

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	27 562 729	-	27 562 729
Cash and cash equivalents	-	-	76 462 333	76 462 333
	-	**27 562 729**	**76 462 333**	**104 025 062**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	51 847 619	-	51 847 619
Consumer deposits	-	1 452 683	-	1 452 683
Unspent conditional grants and receipts	-	83 118 145	-	83 118 145
	-	**136 418 447**	**-**	**136 418 447**

2022

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*

48. Financial Instruments disclosure (continued)

Financial Assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	12 484 774	-	12 484 774
Cash and cash equivalents	-	-	75 803 344	75 803 344
	-	**12 484 774**	**75 803 344**	**88 288 118**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	51 074 802	-	51 074 802
Consumer deposits	-	1 415 378	-	1 415 378
Unspent conditional grants and receipts	-	75 666 063	-	75 666 063
	-	**128 156 243**	**-**	**128 156 243**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	-	500 000
Other invoices	-	24 000
Amount paid - current year	-	(24 000)
	-	**500 000**

Pension and medical aid

	2023	2022
Current year subscriptions	3 747 845	3 738 157

Audit fees

	2023	2022
Opening balance	10 311 084	7 038 927
Current year subscription / fee	6 015 364	5 192 817
Amount paid - current year	(3 094 552)	(1 920 660)
	13 231 896	**10 311 084**

PAYE

	2023	2022
Opening balance	730 087	-
Current year subscription / fee	5 174 379	5 311 468
Amount paid - current year	(4 693 932)	(4 581 381)
	1 210 534	**730 087**

UIF

	2023	2022
Opening balance	41 439	-
Current year subscription / fee	440 422	493 835
Amount paid - current year	(399 983)	(451 939)
	81 878	**41 896**

SDL

	2023	2022
Current year subscription / fee	343 845	361 811
Amount paid - current year	(311 337)	(322 754)
	32 508	**39 057**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*

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

VAT

VAT receivable		14 457 945	13 898 875

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

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

50. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality.These services are delivered in various municipal departments, which for reporting purposes are allocated to a standarised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments isused by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

Types of goods and/or services by segment
The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	**Goods and/or services**
Finance and Administration	Provision of financial and administrative services toother segments of the municipality
Community and Social Services	Provision of public safety, an acceptable standard ofSocial Services, Emergency Services, Environmental andHealth Services, Community Safety and Road TrafficManagement
Energy Sources	This segment consists of all services for energy supplyto the community
Executive and Council	This segment consist of all control and governance services of the municipality
Health	Provision of public safety, an acceptable standard ofSocialServices, Emergency Services, Environmental andHealthServices, Community Safety and Road TrafficManagement
Internal Audit	This segment consists of all financial management services of the municipality
Planning and Development	Provision of planning and development including policyand procedures. Co-ordination work relating to thepreparation ofthe Annual Development Programme andits review
Road Transport	Construction and maintenance of roads andinfrastructure owned by the municipality
Waste Management	This segment consists of all services for waste managementto the community
Waste Water Management	This segment consists of all services for waste water managementto the community

* See Note 40

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Executive and Council	Office of the Municipal Manager	Finance Services	Corporate Services	Technical and Community services	Total
Revenue						
Revenue from non-exchange transactions	-	-	7 326 940	-	-	7 326 940
Interest on outstanding receivables	-	-	500 361	-	-	500 361
Government grants & subsidies	-	-	21 997 900	-	12 931 019	34 928 919
Fines, Penalties and Forfeits	-	-	-	-	450	450
Service charges	-	-	-	-	17 742 777	17 742 777
Rental of facilities and equipment	-	77 996	-	-	-	77 996
Interest received on Investment	-	-	2 246 457	-	-	2 246 457
Licences and permits	-	-	-	-	604 530	604 530
Other Income	-	-	-	8 923	32 273	41 196
Interest on outstanding receivables	-	-	1 936 423	-	-	1 936 423
Total segment revenue	**-**	**77 996**	**34 008 081**	**8 923**	**31 311 049**	**65 406 049**
Entity's revenue						**65 406 049**
Expenditure						
Employee related costs	762 826	2 335 618	5 409 364	3 287 693	9 717 753	21 513 254
Remuneration of councillors	2 369 205	-	-	-	-	2 369 205
Depreciation and amortisation	-	-	-	-	1 125 721	1 125 721
Finance costs	-	-	4 182 881	-	-	4 182 881
Bulk purchases	-	-	-	-	13 349 104	13 349 104
Contracted services	786 025	174 102	4 202 023	1 697 764	1 960 454	8 820 368
General Expenses	681 066	227 471	4 208 564	2 219 642	1 116 439	8 453 182
Total segment expenditure	**4 599 122**	**2 737 191**	**18 002 832**	**7 205 099**	**27 269 471**	**59 813 715**
Total segmental surplus/(deficit)						**5 592 334**

* See Note 40

50. Segment information (continued)

2022

	Executive and Council	Office of the Municipal Manager	Finance Services	Corporate Services	Technical and Community services	Total
Revenue						
Revenue from non-exchange transactions	-	-	14 657 516	-	-	14 657 516
Interest on outstanding receivables	-	-	706 290	-	-	706 290
Government grants & subsidies	10 626 000	-	17 727 000	-	60 431 875	88 784 875
Public contributions and donations	-	-	1 822 678	-	-	1 822 678
Fines, Penalties and Forfeits	-	-	-	-	23 760	23 760
Service charges	-	-	39 553 840	-	-	39 553 840
Rental of facilities and equipment	-	182 458	(1 594)	-	-	180 864
Interest received on Investment	-	-	1 380 977	-	-	1 380 977
Licences and permits	-	-	-	-	1 226 119	1 226 119
Other income	-	-	13 641	90 174	-	103 815
Interest on outstanding receivables	-	-	2 646 286	-	-	2 646 286
Total segment revenue	**10 626 000**	**182 458**	**78 506 634**	**90 174**	**61 681 754**	**151 087 020**
Entity's revenue						**151 087 020**
Expenditure						
Employee related costs	584 273	5 347 275	10 367 788	6 202 859	18 349 417	40 851 612
Remuneration of councillors	375 015	-	-	-	-	375 015
Depreciation and amortisation	-	-	-	-	17 957 802	17 957 802
Finance costs	-	-	-	1 672 504	-	1 672 504
Debt impairment	-	-	-	-	(9 590 945)	(9 590 945)
Bulk purchases	-	-	-	-	24 636 879	24 636 879
Contracted services	867 130	119 144	5 337 447	3 710 020	5 229 852	15 263 593
General Expenses	1 211 047	350 887	3 854 551	1 878 339	1 796 383	9 091 207
Gain on disposal of assets and liabilities	-	-	(6 905)	-	-	(6 905)
Actuarial gains/losses	-	-	27 121	-	-	27 121
Total segment expenditure	**3 037 465**	**5 817 306**	**19 580 002**	**13 463 722**	**58 379 388**	**100 277 883**

* See Note 40

	Executive and Council	Office of the Municipal Manager	Finance Services	Corporate Services	Technical and Community services	Total
50. Segment information (continued)						
Total segmental surplus/(deficit)						**50 809 137**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

51. Change in estimate

Property, plant and equipment

During the current financial year a physical verifcation and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows -

Property, plant and equipment		
Decrease in community facilities depreciation expense	-	(51 513)
Decrease in electrical infrastructure depreciation expense	-	(255 306)
Decrease in housing depreciation expense	-	(2 776)
Decrease in operational buildings depreciation expense	-	(37 796)
Increase in roads infrastructure depreciation expense	-	522 592
Increase in sanitation infrastructure depreciation expense	-	295 637
Increase in solid waste depreciation expense	-	82 707
Decrease in sport and recreation facilities depreciation expense	-	(11 555)
Decrease in storm water infrastructure depreciation expense	-	(63)
Decrease in water supply infrastructure depreciation expense	-	(105 524)
	-	**436 403**

52. Risk management

Financial risk management

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

Liquidity risk

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

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

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short- term employee benefits	-	-	-	-
Trade and other payables	51 847 619	-	-	-
Consumer deposits	1 452 683	-	-	-
Unspent conditional grants and receipts	83 118 145	-	-	-
	136 418 447	**-**	**-**	**-**

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	51 074 802	-	-	-	51 074 802
Consumer deposits	1 415 378	-	-	-	1 415 378
Unspent conditional grants and receipts	75 666 063	-	-	-	75 666 063
	128 156 243	**-**	**-**	**-**	**128 156 243**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customer, taking into account its financial position, past experience and other factors.

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	2023	2022
Receivables from exchange transactions	27 562 729	12 484 004
Receivables from non-exchange transactions	26 078 279	16 979 868
Cash and cash equivalents	76 462 333	75 803 344

Market risk

52. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.