Dikgatlong Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Grading of local authority	Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)
Legal form of the Municipality	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Nature of business and principal activities	Dikgatlong Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996
Accounting Officer	B Tsinyane (Acting since 7 February 2020)
Registered office	33 Campbell Street Barkly West 8375
Business address	33 Campbell Street Barkly West 8375
Postal address	Private Bag X5 Barkly West 8375
Bankers	First National Bank
Auditors	The Auditor General
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no. 89 of 1991) Municipal Structures Act no. 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Equity Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004
Attorneys	Matthews and Partners

General Information

Mayoral Committee	J Tswanagae (Mayor)
	L Phetlhane (Speaker) N Jacobs W Hendricks I Raadt D Pitso MM Bezuidenhout S Blom O Gopane S Metswi D Leeuw DP Papers C de Bruin (Resigned) J Mostert Cllr Lemon
Members of the audit committee	Mr GR Botha (Chairperson) Mr T Mudamburi (Member) Mr Masikela (Member)
Chief Finance Officer	CB Mokeng (Acting since 8 December 2018) LS Itumeleng (Resigned)

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

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
PAYE	Pay As You Earn
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association
SARS	South African Revenue Services

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act no. 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 she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting Officer to meet these responsibilities, the accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

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

Although the accounting Officer 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 have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, 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:

B Tsinyane
Accounting Officer

Accounting Officer's Report

The accounting Officer submits her report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 704 038 723 and that the municipality's total assets exceed its liabilities by R 704 038 723.

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

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2023 and in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 46.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

No matters to report on.

5. Accounting policies

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

6. Accounting Officer

The Accounting officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality
B Tsinyane	South African

7. Auditors

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

B Tsinyane
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	852 258	1 183 663
Operating lease asset	4	22 186	24 970
Other Receivables from exchange transactions	6	2 711 727	3 617 787
Statutory Receivables from non-exchange transactions	7	80 744 101	52 863 598
Statutory Receivables (VAT)	5	92 720 765	92 970 352
Receivables from exchange transactions	8	215 337 379	144 379 654
Cash and cash equivalents	9	338 191	587 967
		392 726 607	**295 627 991**
Non-Current Assets			
Investment property	10	47 482 180	47 805 627
Property, plant and equipment	11	626 077 781	624 684 504
Intangible assets	12	157 768	203 277
Heritage assets	13	12 222 699	12 222 699
		685 940 428	**684 916 107**
Total Assets		**1 078 667 035**	**980 544 098**
Liabilities			
Current Liabilities			
Other financial liabilities	14	-	137 360
Payables from exchange transactions	15	307 893 769	253 301 422
Consumer deposits	16	615 518	612 657
Employee benefit obligation	17	624 000	659 000
Unspent conditional grants and receipts	18	4 733 993	5 621 046
		313 867 280	**260 331 485**
Non-Current Liabilities			
Other financial liabilities	14	-	657 405
Employee benefit obligation	17	5 738 000	5 801 000
Provisions	19	54 467 043	49 438 592
		60 205 043	**55 896 997**
Total Liabilities		**374 072 323**	**316 228 482**
Net Assets		**704 594 712**	**664 315 616**
Accumulated surplus		704 594 712	664 315 616
Total Net Assets		**704 594 712**	**664 315 616**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	69 778 381	49 254 060
Interest received (trading)	26	50 360 979	47 266 020
Rental income	23	823 465	744 863
Other income	24	776 218	190 099
Interest received - investment	25	888 326	648 091
Total revenue from exchange transactions		**122 627 369**	**98 103 133**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	30 879 369	23 150 418
Transfer revenue			
Government grants & subsidies	29	141 676 672	126 313 538
Public contributions and donations	28	1 456 299	851 603
Fines, Penalties and Forfeits	22	6 950	-
Interest Received - Property Rates	26	14 302 818	11 069 848
Total revenue from non-exchange transactions		**188 322 108**	**161 385 407**
Total revenue	20	**310 949 477**	**259 488 540**
Expenditure			
Employee related costs	30	(76 670 306)	(71 277 265)
Remuneration of councillors	31	(5 590 032)	(4 802 844)
Depreciation and amortisation	32	(26 641 426)	(26 911 436)
Finance costs	33	(19 831 755)	(12 072 751)
Debt Impairment	34	(30 845 895)	(29 199 057)
Bulk purchases	35	(40 451 351)	(40 021 643)
General Expenses	36	(68 019 536)	(53 082 026)
Total expenditure		**(268 050 301)**	**(237 367 022)**
Operating surplus		**42 899 176**	**22 121 518**
Loss on disposal of assets and liabilities		(45 508)	(250 909)
Actuarial gains/losses	17	220 388	681 161
Impairment loss	37	(2 691 794)	(1 019 944)
		(2 516 914)	**(589 692)**
Surplus for the year		**40 382 262**	**21 531 826**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2021	**633 849 986**	**633 849 986**
Changes in net assets		
Surplus for the year	29 915 951	29 915 951
Total changes	29 915 951	29 915 951
Opening balance as restated	663 765 937	663 765 937
Adjustments		
Prior year adjustments	549 678	549 678
Balance at 01 July 2022 as restated*	**664 315 615**	**664 315 615**
Changes in net assets		
Surplus for the year	40 382 262	40 382 262
Total changes	40 382 262	40 382 262
Balance at 30 June 2023	**704 697 877**	**704 697 877**

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		38 402 565	31 364 432
Grants		142 245 918	128 882 238
Interest income		888 326	648 091
		181 536 809	160 894 761
Payments			
Employee costs		(82 158 654)	(76 080 109)
Suppliers		(53 787 220)	(56 927 900)
Finance costs		(14 464 674)	(7 652 087)
		(150 410 548)	(140 660 096)
Net cash flows from operating activities	39	**31 126 261**	**20 234 665**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(30 584 056)	(23 985 960)
Purchase of other intangible assets	12	-	(196 749)
Proceeds from sale of financial assets		-	5 886
Net cash flows from investing activities		**(30 584 056)**	**(24 176 823)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(129 185)
Proceeds from DBSA Loans (short term)		(137 360)	-
Proceeds from DBSA Loans (long term)		(657 405)	-
Finance lease movements		2 784	-
Operating lease movements		-	2 356
Net cash flows from financing activities		**(791 981)**	**(126 829)**
Net increase/(decrease) in cash and cash equivalents		**(249 776)**	**(4 068 987)**
Cash and cash equivalents at the beginning of the year		587 967	4 656 954
Cash and cash equivalents at the end of the year	9	**338 191**	**587 967**

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	108 045 000	(27 442 000)	**80 603 000**	69 778 381	**(10 824 619)**	48
Interest received (trading)	49 317 000	-	**49 317 000**	50 360 979	**1 043 979**	48
Rental income	872 000	-	**872 000**	823 465	**(48 535)**	48
Other income	2 351 000	(953 000)	**1 398 000**	776 218	**(621 782)**	48
Interest received - investment	1 072 000	-	**1 072 000**	888 326	**(183 674)**	48
Total revenue from exchange transactions	**161 657 000**	**(28 395 000)**	**133 262 000**	**122 627 369**	**(10 634 631)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36 654 000	(498 000)	**36 156 000**	30 879 369	**(5 276 631)**	48
Transfer revenue						
Government grants & subsidies	115 718 000	1 150 000	**116 868 000**	141 676 672	**24 808 672**	48
Public contributions and donations	-	-	**-**	1 456 299	**1 456 299**	
Fines, Penalties and Forfeits	1 000	-	**1 000**	6 950	**5 950**	48
Interest Received - Property Rates	-	-	**-**	14 302 818	**14 302 818**	48
Total revenue from non-exchange transactions	**152 373 000**	**652 000**	**153 025 000**	**188 322 108**	**35 297 108**	
Total revenue	**314 030 000**	**(27 743 000)**	**286 287 000**	**310 949 477**	**24 662 477**	
Expenditure						
Personnel	(74 932 000)	(392 000)	**(75 324 000)**	(76 710 910)	**(1 386 910)**	48
Remuneration of councillors	(4 828 000)	(641 000)	**(5 469 000)**	(5 590 032)	**(121 032)**	48
Depreciation and amortisation	(25 677 000)	136 000	**(25 541 000)**	(26 621 106)	**(1 080 106)**	48
Finance costs	(5 751 000)	(8 501 000)	**(14 252 000)**	(19 831 755)	**(5 579 755)**	48
Debt Impairment	(56 901 000)	5 500 000	**(51 401 000)**	(30 845 895)	**20 555 105**	48
Bulk purchases	(37 336 000)	(7 016 000)	**(44 352 000)**	(40 451 351)	**3 900 649**	48
Contracted Services	(33 320 000)	(19 074 000)	**(52 394 000)**	-	**52 394 000**	48
Inventory Consumed	(11 383 000)	498 000	**(10 885 000)**	-	**10 885 000**	48
General Expenses	(17 694 000)	(4 983 000)	**(22 677 000)**	(67 974 367)	**(45 297 367)**	48
Total expenditure	**(267 822 000)**	**(34 473 000)**	**(302 295 000)**	**(268 025 416)**	**34 269 584**	
Operating surplus	**46 208 000**	**(62 216 000)**	**(16 008 000)**	**42 924 061**	**58 932 061**	
Loss on disposal of assets and liabilities	-	-	**-**	(45 508)	**(45 508)**	
Impairment	-	-	**-**	(2 715 226)	**(2 715 226)**	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and	28 788 000	-	**28 788 000**	-	**(28 788 000)**	48
Actuarial gains/losses	-	-	**-**	220 388	**220 388**	
Transfers and subsidies - capital (in - kind - all)	-	1 500	**1 500**	-	**(1 500)**	

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
	28 788 000	**1 500**	**28 789 500**	**(2 540 346)**	**(31 329 846)**	
Surplus	**74 996 000**	**(60 716 000)**	**14 280 000**	**40 383 715**	**26 103 715**	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 055 387	1 512 480	**2 567 867**	852 258	**(1 715 609)**	48
Operating lease asset	-	-	**-**	22 186	**22 186**	
Receivables from exchange transactions	-	-	**-**	2 711 727	**2 711 727**	48
Receivables from non-exchange transactions	-	-	**-**	80 744 101	**80 744 101**	48
VAT receivable	-	-	**-**	92 720 765	**92 720 765**	48
Consumer debtors	134 964 000	-	**134 964 000**	215 337 379	**80 373 379**	48
Other Debtors	186 271 000	1 060 000	**187 331 000**	-	**(187 331 000)**	48
Cash and cash equivalents	74 408 000	(8 266 000)	**66 142 000**	338 191	**(65 803 809)**	48
	396 698 387	**(5 693 520)**	**391 004 867**	**392 726 607**	**1 721 740**	
Non-Current Assets						
Investment property	48 038 000	-	**48 038 000**	47 482 180	**(555 820)**	
Property, Plant and Equipment	641 161 000	21 850 000	**663 011 000**	626 077 781	**(36 933 219)**	48
Intangible assets	73 000	-	**73 000**	157 768	**84 768**	
Heritage assets	12 222 699	-	**12 222 699**	12 222 699	**-**	
Investments	7 000	-	**7 000**	-	**(7 000)**	
	701 501 699	**21 850 000**	**723 351 699**	**685 940 428**	**(37 411 271)**	
Total Assets	**1 098 200 086**	**16 156 480**	**1 114 356 566**	**1 078 667 035**	**(35 689 531)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	283 895 000	-	**283 895 000**	307 893 769	**23 998 769**	
Consumer deposits	586 000	-	**586 000**	615 518	**29 518**	
Employee benefit obligation	-	-	**-**	624 000	**624 000**	48
Unspent conditional grants and receipts	-	-	**-**	4 733 993	**4 733 993**	48
Provisions	1 015 000	-	**1 015 000**	-	**(1 015 000)**	48
Borrowings	178 000	(322 000)	**(144 000)**	-	**144 000**	48
	285 674 000	**(322 000)**	**285 352 000**	**313 867 280**	**28 515 280**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	5 738 000	**5 738 000**	48
Provisions	49 947 000	-	**49 947 000**	54 467 043	**4 520 043**	
Borrowings	895 000	-	**895 000**	-	**(895 000)**	48
	50 842 000	**-**	**50 842 000**	**60 205 043**	**9 363 043**	
Total Liabilities	**336 516 000**	**(322 000)**	**336 194 000**	**374 072 323**	**37 878 323**	
Net Assets	**761 684 086**	**16 478 480**	**778 162 566**	**704 594 712**	**(73 567 854)**	

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 1 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 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of 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 [name a key assumption] 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. In addition, goodwill is tested on an annual basis for impairment. 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 [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list 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 19 - Provisions.

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 17.

Allowance for doubtful debts

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

Useful lives and residual values

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5. Property Plant and Equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 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.

1.4 Investment property (continued)

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

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

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

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

Costs is the amount of cash or cash equivalent or fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 80 years

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

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

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.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.5 Property, plant and equipment

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

1.5 Property, plant and equipment (continued)

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.

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

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

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

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

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

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

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

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

Item	**Depreciation method**	**Average useful life**
Land	Straight-line	Indefinite
Buildings	Straight-line	7 - 80 years
Landfill sites	Straight-line	1 - 20 years
Other Assets	Straight-line	4 - 15 years
Community assets	Straight-line	7 - 100 years
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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

1.6 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.

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.

1.7 Intangible assets

An asset is identifiable if it either:

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

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

1.7 Intangible assets (continued)

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.

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.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the anner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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, other	Straight-line	3 - 5 years

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

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

1.8 Heritage assets

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.

Accounting Policies

1.8 Heritage assets (continued)

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.

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.

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.

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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

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).

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 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.

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.

Accounting Policies

1.9 Financial instruments (continued)

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.

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.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

1.9 Financial instruments (continued)

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

Subsequent measurement of financial assets and financial liabilities

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

1) Financial instruments at fair value.
2) Financial instruments at amortised cost.
3) Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

1.9 Financial instruments (continued)

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

1)the contractual rights to the cash flows from the financial asset expire, are settled or waived;
2)the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
3)the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

1.9 Financial instruments (continued)

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

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

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

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

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

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

1.10 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.

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.10 Statutory receivables (continued)

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.

The entity assess statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Accounting Policies

1.10 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- 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.

1.11 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.

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.

1.12 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.

Accounting Policies

1.12 Inventories (continued)

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.14 Employee benefits

Employee benefits are all forms of consideration given by an 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

Accounting Policies

1.14 Employee benefits (continued)

- 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:

- a 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.

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.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which an 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 an municipality pays fixed contributions into a separate municipality (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, an 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.

1.14 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.

1.14 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, an 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, an 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 [OR is not] 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.

1.14 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.

Accounting Policies

1.14 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.

1.15 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 surplus.

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

Accounting Policies

1.15 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 40.

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

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

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

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

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

1.16 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.

1.16 Commitments (continued)

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.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest revenue

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

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

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.18 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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Taxes

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

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

The 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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

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

1.23 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).

1.24 Irregular expenditure

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

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

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

1.25 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.

1.25 Segment information (continued)

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 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.

1.27 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.

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.

1.28 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

1.28 Events after reporting date (continued)

- 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.

1.29 Value added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% as at 1 April 2018 (2017: 14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.Additional text

1.30 Accumulated Surplus

The municipality’s surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

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

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

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

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

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

Key amendments to GRAP 25

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

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

The effective date of these revisions have not yet been set.

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

The adoption of this revisions is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:
Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

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

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

The effective date of these revisions have not yet been set.

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

The adoption of this revisions is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time when the Minister sets the effective date for it.

The adoption of this guideline is not expected to impact on the results of the entity, but may result in more or less disclosure than is currently provided in the financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

Financial guarantee contracts issued
Loan commitments issued
Classification of financial assets
Amortised cost of financial assets
Impairment of financial assets
Disclosures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The adoption of this revision is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

iGRAP 21 addresses the following two issues:

Do past decisions about materiality affect subsequent reporting periods?
Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?
Additional text

The effective date of these interpretation is 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 financial statements.

The adoption of this interpretation is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice nternationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the uality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate.
Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
Clarify that these arrangements may also be assessed in accordance with GRAP 21

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 – Investment Property

Clarify that GRAP 21 may be applied to assess investment property for impairment
Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
Investment property under construction (within scope of GRAP 16)
- Added heading “Guidance on initially measuring self-constructed investment property at fair value”
- Added clarification that investment property is measured at fair value at earliest of:
- cometion of construction or development; or
- when fair value becomes reliably measurable

Clarify requirements on transfers to and from Investment property
- Change in use involves an assessment on whether:
- property meets, or ceases to meet definition of investment property and
- evidence exists that a change in use has occurred

GRAP 17 – Property, Plant and Equipment

Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
- Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
- Disclose amounts incurred by the entity for the provision of management services that are provided by a separate managment entity
- If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
- Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

Terminology amended
- Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
- Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

Clarify disclosure requirement for service concession assets
- Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

Application guidance clarified
- When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
- Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
in joint operation:

Directive 7 – The Application of Deemed Cost

Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity expects to adopt the improvements for the first time in the 2022/2023 financial statements.

The adoption of this improvements is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

An entity applies judgement based on past experience and current facts and circumstances

The effective date of this amendment is for years beginning on or after 01 April 2025.

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

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

It is unlikely that the will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as “an entity”) that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as “formulating an accounting policy”) using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the municipality needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the municipality.

The objective of this Directive is to explain when, and in what circumstances, an municipality may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

The effective date of the is 01 April 2021.

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after 01 April 2099.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

monetary and non-monetary assets
IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

The municipality does not envisage the adoption of the interpretation until such time as it becomes applicable to the municipality's operations.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Inventories

Consumable stores	667 487	1 086 337
Water for distribution	184 771	97 326
	852 258	**1 183 663**

3.1 Inventory recognised as an expense during the year

Bulk Water	9 892 690	11 102 300
Maintenance Materials	1 711 701	1 682 996
	11 604 391	**12 785 296**

4. Operating lease asset

Current assets	22 186	24 970

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Statutory Receivable (VAT)

VAT	92 720 765	92 970 352

6. Other Receivables from exchange transactions

Other receivables from exchange transactions	1 271 311	1 495 768
Deposits Held	781 450	781 450
Grants receivable	658 966	986 238
Third party vendors	-	354 331
	2 711 727	**3 617 787**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

7. Statutory Receivables from non exchange transactions

Gross balances		
Consumer debtors - Rates	171 493 758	135 692 979
Less: Allowance for impairment		
Consumer debtors - Rates	(90 749 657)	(82 829 381)
Net balance		
Consumer debtors - Rates	80 744 101	52 863 598

Rates		
Current (0 -30 days)	5 182 132	5 007 451
31 - 60 days	2 465 181	3 661 657
61 - 90 days	2 436 025	3 695 948
91days+	161 412 011	123 327 923
Less Impairment	(90 749 657)	(82 829 381)
	80 745 692	**52 863 598**

Consumers		
Current (0 -30 days)	2 335 889	1 637 776
31 - 60 days	1 087 609	1 090 577
61 - 90 days	1 074 494	1 151 294
91 days +	50 221 692	38 939 322
	54 719 684	42 818 969
Less: Allowance for impairment	(52 447 151)	(42 257 515)
	2 272 533	**561 454**

Industrial/ commercial		
Current (0 -30 days)	1 325 070	1 139 532
31 - 60 days	627 791	771 139
61 - 90 days	611 961	755 164
91 days +	44 006 214	38 900 436
	46 571 036	41 566 271
Less: Allowance for impairment	(38 302 506)	(40 571 866)
	8 268 530	**994 405**

National and provincial government		
Current (0 -30 days)	1 521 173	2 230 143
31 - 60 days	749 781	1 799 940
61 - 90 days	749 569	1 789 490
91 days +	67 184 104	45 488 166
	70 204 627	**51 307 739**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

8. Receivables from exchange transactions

	2023	2022 Restated
Gross balances		
Electricity	74 197 273	65 270 272
Water	343 780 182	293 427 414
Sewerage	54 626 419	47 351 695
Refuse	166 995 078	144 131 404
Sundry	63 610 728	59 148 666
	703 209 680	**609 329 451**
Less: Allowance for impairment		
Electricity	(18 096 447)	(40 882 792)
Water	(269 024 726)	(238 193 670)
Sewerage	(34 525 093)	(30 117 490)
Refuse	(131 253 146)	(114 197 277)
Sundry	(34 972 889)	(41 558 568)
	(487 872 301)	**(464 949 797)**
Net balance		
Electricity	56 100 826	24 387 480
Water	74 755 456	55 233 744
Sewerage	20 101 326	17 234 205
Refuse	35 741 932	29 934 127
Sundry	28 637 839	17 590 098
	215 337 379	**144 379 654**
Electricity		
Current (0 -30 days)	3 648 344	4 238 564
31 - 60 days	1 504 205	1 118 560
61 - 90 days	1 386 316	1 467 127
91 days +	67 658 408	61 415 197
Less:impairment	(18 096 447)	(43 851 968)
	56 100 826	**24 387 480**
Water		
Current (0 -30 days)	11 150 620	7 794 600
31 - 60 days	4 952 473	3 923 750
61 - 90 days	4 796 531	3 771 474
91 days +	322 880 855	274 968 414
Less:Impairment	(269 025 023)	(235 224 494)
	74 755 456	**55 233 744**
Sewerage		
Current (0 -30 days)	1 266 141	1 147 587
31 - 60 days	626 023	620 324
61 - 90 days	623 039	588 507
91 days +	52 111 216	44 995 277
Less:Impairment	(34 525 093)	(30 117 490)
	20 101 326	**17 234 205**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

8. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	4 192 937	3 689 063
31 - 60 days	2 018 566	1 996 449
61 - 90 days	2 005 954	1 846 909
91 days +	158 777 570	136 598 983
Less:Impairment	(131 253 095)	(114 197 277)
	35 741 932	**29 934 127**

Sundry		
Current (0 -30 days)	911 304	934 375
31 - 60 days	426 881	605 546
61 - 90 days	418 963	494 934
91 days +	61 853 580	57 113 811
Less:Impairment	(34 972 889)	(41 558 568)
	28 637 839	**17 590 098**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	14 732 598	12 466 340
31 - 60 days	6 572 777	5 863 195
61 - 90 days	6 393 989	5 555 957
91 days +	480 560 043	420 600 097
	508 259 407	444 485 589
Less: Allowance for impairment	(445 031 049)	(427 706 290)
	63 228 358	**16 779 299**

Industrial/ commercial		
Current (0 -30 days)	2 901 596	2 075 648
31 - 60 days	736 445	673 264
61 - 90 days	690 107	832 392
91 days +	44 599 832	48 412 601
	48 927 980	51 993 905
Less: Allowance for impairment	(42 841 245)	(37 113 295)
	6 086 735	**14 880 610**

National and provincial government		
Current (0 -30 days)	3 535 154	3 262 202
31 - 60 days	2 215 477	1 728 170
61 - 90 days	2 146 708	1 780 603
91 days +	138 124 958	112 413 996
	146 022 297	**119 184 971**

Total		
Current (0 -30 days)	21 169 347	17 804 189
31 - 60 days	9 524 699	8 264 629
61 - 90 days	9 230 803	8 168 951
91 days +	663 284 833	578 457 495
	703 209 682	612 695 264
Less: Allowance for impairment	(487 872 303)	(468 315 610)
	215 337 379	**144 379 654**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(464 949 797)	(449 277 042)
Contributions to allowance	(52 294 530)	(18 248 961)
Debt impairment written off against allowance	29 372 026	2 576 206
	(487 872 301)	**(464 949 797)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 319	-
Bank balances	333 329	145 197
Short-term deposits	(457)	442 770
	338 191	**587 967**

9. 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- Current Account (62022662468)	63 448	145 197	2 359 475	28 205	145 197	2 359 475
First National Bank- Call Account (62256156318)	138 983	132 146	720 122	138 983	132 146	720 122
First National Bank- Call Account (62279967643)	129 835	114 274	125 913	129 835	114 274	125 913
First National Bank- Call Account (62287817393)	14 997	14 003	445 605	14 997	14 003	445 605
First National Bank- Call Account (62345563911)	62 810	164 643	987 394	62 810	164 643	987 394
First National Bank- Call Account (71045321107)	5 016	4 723	4 635	5 016	4 723	4 635
Standard Bank- Fixed Deposit Account (146018273)	12 231	12 981	13 821	12 231	12 981	13 812
Total	**427 320**	**587 967**	**4 656 965**	**392 077**	**587 967**	**4 656 956**

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	51 396 899	(3 914 719)	47 482 180	51 442 407	(3 636 780)	47 805 627

Reconciliation of investment property - 2023

	Opening balance	Derecognition	Depreciation	Total
Investment property	47 805 627	(45 508)	(277 939)	47 482 180

Reconciliation of investment property - 2022

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	48 358 172	(250 909)	(11 876)	(289 760)	47 805 627

Pledged as security

No Investment Property has been pledged as security.

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

The Investment property note above excludes all the land parcels where the municipality is the legal owner but it does not control the land. An assessment was done as at the reporting date through the field verification and deed search reconciliation and it was identified that there are assets that were sold by the municipality previously and other land parcels that were written off through the council resolutions, however the transfer has not been completed.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

10. Investment property (continued)

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

11. 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	85 327 783	-	85 327 783	85 327 783	-	85 327 783
Buildings	24 792 650	(20 428 783)	4 363 867	26 503 624	(21 731 598)	4 772 026
Infrastructure	873 858 469	(362 426 053)	511 432 416	850 108 776	(336 865 409)	513 243 367
Community	51 292 101	(45 713 318)	5 578 783	74 222 113	(67 971 966)	6 250 147
Other property, plant and equipment	28 867 854	(19 284 319)	9 583 535	21 995 120	(17 553 999)	4 441 121
Landfill Site Asset	15 081 501	(5 290 104)	9 791 397	15 297 743	(4 647 683)	10 650 060
Total	**1 079 220 358**	**(453 142 577)**	**626 077 781**	**1 073 455 159**	**(448 770 655)**	**624 684 504**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Change in landfillclosure provision	Derecognised	Depreciation	Impairment loss	Total
Land	85 327 783	-	-	-	-	-	-	85 327 783
Buildings	4 772 026	-	-	-	-	(405 045)	(3 115)	4 363 867
Infrastructure	513 243 367	27 215 529	(3 451 378)	-	(14 479)	(23 452 265)	(2 108 358)	511 432 416
Community	6 250 147	-	-	-	-	(671 364)	-	5 578 783
Other property, plant and equipment	4 441 121	6 872 735	-	-	-	(1 146 885)	(583 436)	9 583 535
LandfillSite Asset	10 650 060	-	-	(216 242)	-	(622 102)	(20 319)	9 791 397
	624 684 504	**34 088 264**	**(3 451 378)**	**(216 242)**	**(14 479)**	**(26 297 661)**	**(2 715 228)**	**626 077 781**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Land	85 327 783	-	-	-	-	85 327 783
Buildings	5 274 883	-	-	(471 072)	(31 785)	4 772 026
Infrastructure	514 307 940	23 204 723	-	(23 477 537)	(791 759)	513 243 367
Community	7 188 188	-	-	(849 910)	(88 131)	6 250 147
Other property, plant and equipment	5 067 393	781 237	-	(1 311 365)	(96 144)	4 441 121
LandfillSite Assets	9 648 452	-	1 488 727	(487 118)	-	10 650 060
	626 814 639	**23 985 960**	**1 488 727**	**(26 597 002)**	**(1 007 819)**	**624 684 504**

Pledged as security

No items of Property, Plant and Equipment has been pledged as security.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Windsorton Provision of Water and Sewer Networks	20 397 967	20 397 967
Windsorton Waste Water Treatment Plant	442 816	442 816
Windsorton New Oxidation ponds	26 340 540	26 340 540
Windsorton / Holpan Regional Bulk Water Supply Scheme (Part A and Part B)	42 943 188	42 943 188
	90 124 511	**90 124 511**

The projects listed are taking longer than expected due to the insufficient funds that the municipality is facing making it impossible to complete these projects in the current year.
Additional text

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	118 933 675	118 933 675
Additions/capital expenditure	26 979 084	26 979 084
Transferred to completed items	(22 645 585)	(22 645 585)
	123 267 174	**123 267 174**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	117 167 241	117 167 241
Additions/capital expenditure	23 204 723	23 204 723
Transferred to completed items	(21 438 289)	(21 438 289)
	118 933 675	**118 933 675**

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		
Infrastructure	7 324 397	6 112 960
Motor Vehicles	3 853 309	369 238
Other assets	953 120	99 846
Buildings	409 204	-
	12 540 030	**6 582 044**

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

12. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	525 302	(367 534)	157 768	525 303	(322 026)	203 277

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	203 277	(45 509)	157 768

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software, other	31 451	196 749	(24 674)	(249)	203 277

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

13. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	12 222 699	-	12 222 699	12 222 699	-	12 222 699

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical buildings	12 222 699	12 222 699

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	12 222 699	12 222 699

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

14. Other financial liabilities

At amortised cost		
Long term loan	-	794 765

Non-current liabilities		
At amortised cost	-	657 405

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

14. Other financial liabilities (continued)

Current liabilities		
At amortised cost	-	137 360

15. Payables from exchange transactions

Trade payables	271 922 495	215 420 331
Payments received in advanced	7 066 421	6 609 762
Sundry Creditors	433 191	990
Sundry Control	1 394 303	4 679 099
Accrued leave pay	6 438 166	6 438 166
Accrued bonus	2 043 533	1 941 849
Retentions	4 061 771	4 026 536
Department of transport safety and liaison	14 184 689	14 184 689
Long Service Awards	349 200	-
	307 893 769	**253 301 422**

16. Consumer deposits

Electricity	283 618	285 618
Water	330 194	326 239
Housing rental	1 706	800
	615 518	**612 657**

17. Employee benefit obligations

Defined benefit plan

The plan a post employment medical benefit plan.

Post retirement medical aid plan

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Continuation members (pensioners)	4	4

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

17. Employee benefit obligations (continued)

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

Carrying value		
Post Employment Medical Aid	1 971 000	2 061 000
Long Service Award Liability	4 391 000	4 399 000
	6 362 000	**6 460 000**

Non-current liabilities	5 738 000	5 801 000
Current liabilities	624 000	659 000
	6 362 000	**6 460 000**

Long Service Awards		
Current Portion	389 000	437 000
Non Current Portion	4 002 000	3 962 000
	4 391 000	**4 399 000**

Post Employment Medical Aid		
Current Portion	235 000	222 000
Non Current Portion	1 736 000	1 839 000
	1 971 000	**2 061 000**

Figures in Rand	2023	2022 Restated

17. Employee benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
LA Health
Keyhealth

Key actuarial assumptions used:

Discount rate	10,87%	8,60%
CPI (Consumer Price Inflation)	6,33%	
Health Care Cost Inflation Rate	7,83%	6,09%
Net discount rate	2,82%	2,37%

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate

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

Consequently, a discount rate of 10.87% per annum has been used. The corresponding index-linked yield at this term is 3.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability, which in turn depends on the yields). The liability's duration has been estimated to be 8.25 years.

Health Care Cost Inflation Rate:

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

A health care cost inflation rate of 7.83% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.33%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.82% which derives from ((1+10.87%)/(1+7.83%))-1.

The expected inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.79%) and those of fixed interest bonds (10.87%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+10.87%-0.50%)/(1+3.79%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2023.

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality:

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

Figures in Rand	2023	2022 Restated

17. Employee benefit obligations (continued)

is derived from [1 - (1 - 1%)2], and so on.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Sensitivity Analysis on the Accrued Liability

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- a one percentage point increase and decrease in the discount rate; and
- a one-year age increase and decrease in the assumed rates of post-employment mortality.

Net expense recognised in the statement of financial performance

	2023	2022 Restated
Current service cost	385 000	439 000
Interest cost	657 000	722 000
Actuarial (gains) losses	(220 388)	(681 161)
Benefits Vesting	(919 612)	(680 839)
	(98 000)	**(201 000)**

Figures in Rand	2023	2022 Restated

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,01 %	10,81 %
General earnings inflation rate (long-term)	6,44 %	7,33 %
Net discount rate	4,29 %	3,24 %

Discount Rate

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

Consequently, a discount rate of 11.01% per annum has been used. The corresponding index-linked yield at this term is 4.81%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2023.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 7.5 years.

<u>Earnings Inflation Rate</u>
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee’s earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

<u>General Earnings Inflation Rate</u>
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 5.44% was obtained from the differential between market yields on index-linked bonds (4.81%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.01%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+11.01%-0.50%)/(1+4.81%))-1.

Thus, a general earnings inflation rate of 6.44% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.29%.

It was assumed that the next general earnings increase will take place on 1 July 2024.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Water Affairs (WSIG)	-	2 541 190
Municipal Infrastructure Grant	2 721 644	2 981 218
Intergrated National Electrification Grant	1 851 421	-
Capacity Building Grant	54 932	54 932
Library Grant	2 023	2 071
Local Government Sector Education and Training Authority (SETA)	103 973	41 635
	4 733 993	**5 621 046**

Movement during the year

Balance at the beginning of the year	5 621 046	4 903 951
Additions during the year	24 312 094	131 932 512
Income recognition during the year	(21 811 422)	(126 313 538)
Funds Withheld	(3 387 725)	(4 901 879)
	4 733 993	**5 621 046**

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

See note 29 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	49 438 592	(216 242)	5 244 693	54 467 043

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	44 062 051	1 488 726	3 887 815	49 438 592

Environmental rehabilitation provision

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Longlands
- Delportshoop

Figures in Rand	2023	2022 Restated

19. Provisions (continued)

Financial assumption used

Unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6,6085%.

Discount Rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a municipality.
Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the municipality than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflationlinked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.
1) For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
2) For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
3) For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

20. Revenue

	2023	2022 Restated
Service charges	69 778 381	49 254 060
Interest received (trading)	50 360 979	47 266 020
Rental income	823 465	744 863
Other income	776 218	190 099
Interest received - investment	888 326	648 091
Property rates	30 879 369	23 150 418
Government grants & subsidies	141 676 672	126 313 538
Public contributions and donations	1 456 299	851 603
Fines, Penalties and Forfeits	6 950	-
Interest Received - Property Rates	14 302 818	11 069 848
	310 949 477	**259 488 540**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	69 778 381	49 254 060
Interest received (trading)	50 360 979	47 266 020
Rental income	823 465	744 863
Other income	776 218	190 099
Interest received - investment	888 326	648 091
	122 627 369	**98 103 133**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	30 879 369	23 150 418
Transfer revenue		
Government grants & subsidies	141 676 672	126 313 538
Public contributions and donations	1 456 299	851 603
Fines, Penalties and Forfeits	6 950	-
Interest Received - Property Rates	14 302 818	11 069 848
	188 322 108	**161 385 407**

21. Service charges

Sale of electricity	26 338 100	22 162 536
Sale of water	29 204 069	15 510 831
Sewerage and sanitation charges	3 157 814	2 819 970
Refuse removal	11 480 485	10 385 003
Indigent Subsidies	(402 087)	(1 624 280)
	69 778 381	**49 254 060**

22. Fines, Penalties and Forfeits

Property Rates Penalties	6 950	-

23. Other revenue

Rental income - third party	823 465	744 863
Other income	776 218	190 099
	1 599 683	**934 962**

24. Other income

Building Plans	21 975	34 281
Clearance Certificate	153 378	94 467
Sundry Income	550 656	61 351
Reconnection fees	50 209	-
	776 218	**190 099**

25. Investment revenue

Interest revenue		
Bank	888 326	648 091

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

26. Interest Received

Property Rates	14 302 818	11 069 848
Service Charges (trading)	50 360 979	47 266 020
	64 663 797	**58 335 868**

27. Property rates

Rates received

Residential	9 974 619	7 994 206
Commercial	5 313 641	971 781
State	15 591 109	14 184 431
	30 879 369	**23 150 418**

Valuations

Residential	883 671 376	883 671 376
Commercial	142 170 000	142 170 000
State	286 310 000	286 310 000
Municipal	211 412 000	211 412 000
Small holdings and farms	2 001 450 000	2 001 450 000
	3 525 013 376	**3 525 013 376**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

28. Public contributions and donations

Public contributions and donations	1 456 299	851 603

Conditions still to be met - remain liabilities (see note 18)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

29. Government grants and subsidies

Operating grants		
Equitable share	108 029 408	95 490 879
Finance Management Grant	3 100 000	3 000 000
Local Government Sector Education and Training Authority (SETA)	475 703	-
Frances Baard District Municipality Operational Grant	2 805 943	3 514 565
Expanded Public Works Program (EPWP)	1 073 000	950 000
National Treasury - Contribution to Audit Fees	1 539 816	1 410 502
Library Grant	1 200 048	1 100 000
	118 223 918	**105 465 946**
Capital grants		
Department of Water Affairs (WSIG)	-	2 458 810
Municipal Infrastructure Grant (MIG)	19 041 356	18 388 782
Integrated National Electrification Programme (INEP)	1 940 849	-
Frances Baard District Municipality Capital Grant	2 470 549	-
	23 452 754	**20 847 592**
	141 676 672	**126 313 538**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	33 563 747	31 030 389
Unconditional grants received	108 029 408	95 490 879
	141 593 155	**126 521 268**

Equitable Share

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

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

Equitable Share

Current-year receipts	102 507 000	90 589 000
Conditions met - transferred to revenue	(108 029 408)	(95 490 879)
Amounts granted as set off against Unspent Grants	5 522 408	-
Surrendered	-	4 901 879
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Finance Management Grant

Current-year receipts	3 100 000	3 000 000
Conditions met - transferred to revenue	(3 100 000)	(3 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Frances Baard District Municipality Grants (operational and capital)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

29. Government grants and subsidies (continued)

Current-year receipts	6 730 311	3 514 565
Conditions met - transferred to revenue	(6 730 311)	(3 514 565)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Program (EPWP)

Current-year receipts	1 073 000	950 000
Conditions met - transferred to revenue	(1 073 000)	(950 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

National Treasury - Contribution to Audit Fees

Current-year receipts	1 539 816	1 410 502
Conditions met - transferred to revenue	(1 539 816)	(1 410 502)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Department of Water Affairs

Balance unspent at beginning of year	2 541 190	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(2 458 810)
Transfer to Equitable Share as per Letter from Treasury	(2 541 190)	-
	-	**2 541 190**

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 981 218	4 678 805
Current-year receipts	21 763 000	21 370 000
Conditions met - transferred to revenue	(19 041 356)	(18 388 782)
Transfer to Equitable Share as per Letter from Treasury	(2 981 218)	(4 678 805)
	2 721 644	**2 981 218**

Conditions still to be met - remain liabilities (see note 18).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	223 073
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(1 940 849)	-
Prior year adjustment	(207 730)	(223 073)
	1 851 421	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

29. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

Capacity Building Grant

Balance unspent at beginning of year	54 932	54 932

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Library Grant

Balance unspent at beginning of year	2 071	2 071
Current-year receipts	1 200 000	1 100 000
Conditions met - transferred to revenue	(1 200 000)	(1 100 000)
	2 071	**2 071**

Conditions still to be met - remain liabilities (see note 18).

Local Government Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	41 635	-
Current-year receipts	538 041	41 635
Conditions met - transferred to revenue	(475 703)	-
	103 973	**41 635**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

30. Employee related costs

Basic	48 267 209	45 052 788
Bonus	4 172 809	3 321 754
Medical aid - company contributions	4 098 419	4 500 346
UIF	382 111	378 193
SDL	228 774	583 959
Leave pay provision charge	127 690	642 162
Other short term costs	23 296	22 856
Pension	7 445 087	7 062 489
Travel, motor car, accommodation, subsistence and other allowances	191 042	1 185 884
Overtime payments	8 698 288	5 807 427
Long-service awards	384 999	439 000
Acting allowances	2 529 170	1 768 310
Housing benefits and allowances	121 412	87 770
Standby Allowance	-	424 327
	76 670 306	**71 277 265**

Remuneration of municipal manager - BH Tsiyane

Annual Remuneration	1 005 495	974 409
Car Allowance	66 042	66 042
Acting Allowance	93 629	93 629
Contributions to UIF, Medical and Pension Funds	54 778	12 993
	1 219 944	**1 147 073**

Remuneration of chief financial officer - LS Itumeleng

Annual Remuneration	890 326	890 451
Car Allowance	125 000	150 000
Contributions to UIF, Medical and Pension Funds	11 646	11 889
Leave Payout	127 690	-
	1 154 662	**1 052 340**

Remuneration of acting chief financial officer - CB Mokeng

Annual Remuneration	869 139	812 263
Housing Allowance	12 141	11 574
Acting Allowance	99 131	101 693
Contributions to UIF, Medical and Pension Funds	214 589	201 529
Long Service Award	24 068	-
	1 219 068	**1 127 059**

Remuneration of technical services director - PA Nthoba

Annual Remuneration	1 030 347	1 030 471
Contributions to UIF, Medical and Pension Funds	12 559	12 089
	1 042 906	**1 042 560**

Remuneration of acting technical services director - DV Makaleni

Annual Remuneration	438 242	445 499
Acting Allowance	173 355	216 323
Contributions to UIF, Medical and Pension Funds	163 144	118 263

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated
30. Employee related costs (continued)		
	774 741	**780 085**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

31. Remuneration of councillors

	2023	2022
Councillors	5 590 032	4 802 844

2023	Annual Remuneration	Column heading	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	830 248	-	6 000	12 522	848 770
Speaker LG Phetlhane	664 199	-	6 000	8 091	678 290
Chief whip - MN Jacobs	347 379	-	6 000	5 126	358 505
Councillor - WAS Hendricks	262 744	-	6 000	4 386	273 130
Councillor - I Raadt	337 188	-	6 000	5 030	348 218
Councillor - OB Gopane	95 475	-	-	1 548	97 023
Councillor - DT Pitso	262 744	-	6 000	4 389	273 133
Councillor - S Blom	262 744	-	6 000	4 539	273 283
Councillor - SI Metswi	262 744	-	6 000	4 443	273 187
Councillor - LDK Leeuw	262 744	-	6 000	4 856	273 600
Councillor - CM De Bruyn	223 867	-	35 700	2 798	262 365
Councillor - CJ Mostert	262 744	-	6 000	5 049	273 793
Councillor BP Thobi	150 290	-	2 100	2 764	155 154
Councillor - MM Bezuidenhout	262 744	-	26 700	5 061	294 505
Councillor - PS Combrink	2 788	-	-	55	2 843
Councillor - KE Motshabi	2 761	-	-	27	2 788
Councillor - MA Mahutie	4 133	-	-	41	4 174
Councillor - DA Macinga	2 761	-	-	27	2 788
Councillor - T Saul	4 133	-	-	41	4 174
Councillor - AJ Mafofololo	4 092	-	-	-	4 092
Councillor - MP Chupologo	4 133	-	-	41	4 174
Councillor - MK Konote	144 303	-	7 500	2 318	154 121

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

31. Remuneration of councillors (continued)

RT Springbok	87 580	-	1 500	1 844	90 924
Councillor - ME Kleinjan	2 761	-	-	27	2 788
Councillor - D Papers	262 744	-	6 000	4 889	273 633
Councillor ID Lemoen	65 685	-	900	1 051	67 636
	5 368 669	**-**	**140 400**	**80 963**	**5 590 032**

2022	Annual Remuneration	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	490 001	-	5 735	495 736
Speaker LG Phetlhane	391 300	-	4 851	396 151
Chief whip - MN Jacobs	198 177	-	3 122	201 299
Councillor - WAS Hendricks	163 941	-	2 885	166 826
Councillor - I Raadt	194 055	-	3 095	197 150
Councillor - OB Gopane	163 941	-	2 981	166 922
Councillor - DT Pitso	163 941	-	2 821	166 762
Councillor - S Blom	166 641	3 600	2 884	173 125
Councillor - SI Metswi	163 941	-	2 981	166 922
Councillor - LDK Leeuw	163 941	-	2 917	166 858
Councillor - CM De Bruyn	163 941	23 800	3 219	190 960
Councillor - CJ Mostert	163 941	-	2 821	166 762
Mayor - DD Mbizeni	287 498	-	3 216	290 714
Councillor - MM Bezuidenhout	286 606	20 200	4 443	311 249
Councillor - PS Combrink	90 983	-	1 437	92 420
Councillor - KE Motshabi	90 983	-	1 437	92 420
Councillor - MA Mahutie	116 761	-	1 675	118 436
Councillor - DA Macinga	90 983	11 625	1 576	104 184
Councillor - T Saul	116 761	-	1 675	118 436
Councillor - AJ Mafofololo	116 761	-	1 839	118 600
Councillor - MP Chupologo	116 761	-	1 839	118 600
Councillor - MK Konote	289 328	18 000	4 858	312 186
Councilllor - E Makoko	116 761	-	1 675	118 436
Councillor - ME Kleinjan	90 982	-	1 437	92 419
Councillor - D Papers	255 092	-	4 176	259 268
	4 654 021	**77 225**	**71 595**	**4 802 844**

32. Depreciation and amortisation

	2023	2022
Property, plant and equipment	26 317 980	26 597 002
Investment property	277 938	289 760
Intangible assets	45 508	24 674
	26 641 426	**26 911 436**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

33. Finance costs

Landfill rehabilitation	5 244 693	3 887 815
Employee Benefits	445 000	722 000
Trade and other payables	13 744 270	7 420 248
DBSA Loan	397 792	42 688
	19 831 755	**12 072 751**

34. Debt impairment

Debt impairment	30 845 895	29 199 057

35. Bulk purchases

Electricity - Eskom	40 451 351	40 021 643

36. General expenses

Cleaning	-	2 371 233
Advertising	3 077	40 605
Assessment rates & municipal charges	241 196	-
Auditors remuneration	3 101 829	3 080 132
Bank charges	745 654	428 076
Commission paid	-	940 117
Computer expenses	3 565 520	9 375
Consulting and professional fees	31 500 651	18 760 345
Insurance	-	1 722 430
Fuel and oil	2 410 721	2 263 262
Printing and stationery	584 503	627 449
Protective clothing	678 763	353 691
Inventory, spares and materials consumed	13 596 196	17 971 394
Security (Guarding of municipal property)	5 271 317	-
Staff welfare	153 343	410 296
Subscriptions and membership fees	1 810 676	991 820
Telephone and fax	2 119 852	1 709 008
Travel - local	1 292 394	790 576
Other expenses	943 844	612 217
	68 019 536	**53 082 026**

37. Impairment of assets

Property, plant and equipment	2 691 794	1 019 944

38. Auditors' remuneration

Fees	3 101 829	3 080 132

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

39. Cash generated from operations

Surplus	40 382 262	21 531 826
Adjustments for:		
Depreciation and amortisation	26 641 426	26 911 436
Gain on sale of assets and liabilities	45 508	250 909
Impairment deficit	2 691 794	1 019 944
Debt impairment	30 845 895	29 199 057
Movements in operating lease assets and accruals	-	2 364
Movements in retirement benefit assets and liabilities	(98 000)	(201 000)
Movements in provisions	5 244 693	3 887 814
Changes in working capital:		
Inventories	331 405	(503 316)
Other Receivables from exchange transactions	906 060	(1 336 464)
Receivables from non-exchange transactions	(27 880 503)	(83 616 046)
Receivables from exchange transactions	(101 803 620)	(16 581 618)
Payables from exchange transactions	54 453 946	43 454 840
VAT	249 587	(4 528 753)
Unspent conditional grants and receipts	(887 053)	717 097
Consumer deposits	2 861	26 575
	31 126 261	**20 234 665**

40. Contingent Liabilities

Dikgatlong Municipality /Engelsman Magabane Inc -Skillfull 1149 CC	7 661 329	7 661 329
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	300 000	300 000
Dikgatlong Municipality /Department of Water and Sanitation	40 390 949	40 390 949
Dikgatlong Municipality /Barkly-Wes Slaghuis	150 000	150 000
Dikgatlong Local Municipality /S. Hendricks	15 000	15 000
Dikgatlong Local Municipality /Katrina Afrika	520 000	520 000
Dikgatlong Local Municipality /CM De Bruyn	272 323	272 323
Dikgatlong Local Municipality // Eskom holding	55 963 649	-
Dikgatlong Local Municipality/Danie Dry	11 887	11 887
Dikgatlong Local Municipality /Anna Jammer	11 598	11 598
Dikgatlong Local Municipality /Donald Thabo Mohapi	100 000 000	100 000 000
Dikgatlong Local Municipality /Pamodzi Revenue and Energy Solutions (Pty) Ltd	10 243 813	-
Dikgatlong Local Municipality / Auditor General of South Africa	2 270 597	-
Closing balance	**217 811 145**	**149 333 086**

40. Contingent Liabilities (continued)

Contingent Liabilities

Dikgatlong Municipality /Engelsman Magabane Inc -Skillfull 1149 CC
Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract. There is uncertainities with regards to the estimated amount.

Dikgatlong Municipality / Legal Aid on behalf of E Lebogang
A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality. There is uncertainities with regards to the estimated amount.

Dikgatlong Municipality /Department of Water and Sanitation
The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet. There is uncertainities with regards to the estimated amount.

Dikgatlong Municipality /Barkly-Wes Slaghuis
Filed an interdict against the municipality to stop services from being disconnected. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality /S. Hendricks
Claim to property dispute REF: DIK 076.There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality /Katrina Afrika
Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality/Danie Dry
Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality /Donald Thabo Mohapi

Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality / CM DE BRUYN
She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality /Anna Jammer
There is a letter of demand and we have requested client to give instructions on the way forward. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality//Eskom holding
Eskom brought an application for the municipality to settle a debt that is owed to Eskom.There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality/ Pamodzi Revenue and Energy Solutions (Pty) Ltd
The Municipality has entered an appearance to defend the matter and disputes the claim. The legal process is still in early stage. There is uncertainities with regards to the estimated amount.

Dikgatlong Local Municipality /Auditor General of South Africa
The Municipality has entered an appearance to defend the action however the matter is capable of being resolved y way of mediation. There is uncertainities with regards to the estimated amount.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

41. Related parties

Relationships

Interest in relates parties	Councillors and / or management of the municipality
Services rendered to related parties	The services rendered to Related Parties are charged at approved tariffs that were advertised to t he public. We have disclosed t his information under the heading Councillors arrear consumer accounts.
Compensation of related parties	Compensation of key management personnel is set out in note 30
Compensation of related parties	Compensation of councillors is set out in note 30 31
Related party relationships	The municipalities officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.
Councillors	Councillors balances as set out in note 52
Acting Municipal Manager	No business interest, shares and / or directorships held
Acting Chief Financial Officer	No business interest, shares and / or directorships held
Corporate Services Director	No business interest, shares and / or directorships held
Technical Services Director	No business interest, shares and / or directorships held

Related party balances

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:		
DR Gopane	23 767	19 685
MN Jacobs	97 924	77 358
MM Metswi	265 252	233 264
I Raadt	31 037	27 167
S Bezuidenhout	28 780	34 105
WAS Hendrick	20 346	18 138

For Remuneration of Councillors, please refer to Note 31

For Detailed Remuneration of Key Management, please refer to Note 30

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

42. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 704 697 877 and that the municipality's total assets exceed total liabilities by R 704 594 712.

We draw attention to the fact that at 30 June 2023, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding decreased to 802.7 days from (2022: 1333 days).
5. Electricity distribution losses (technical and non-technical) have decreased to 46% (2022: 49%) and the water distribution losses has decreased to 19% from (2022: 49%).
6. The municipality's current assets exceeds it's current liabilities by R 34 746 827 (2022: R 2 855 515) which indicates a current ratio which is below the required norm of 1.5 - 2.
7. The municipality realised a surplus for the year under review of R 40 372 351 (2022: surplus R 21 102 498), the major contributors to this change is increase in Property Rates, Service Charges and Transfer Revenue.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

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

43. Unauthorised expenditure

Opening balance as previously reported	333 861 655	296 849 630
Opening balance as restated	**333 861 655**	**296 849 630**
Add: Expenditure identified - current	-	37 012 025
Less: Approved/condoned/authorised by council	(79 925 997)	-
Closing balance	**253 935 658**	**333 861 655**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

43. Unauthorised expenditure (continued)

Disciplinary steps taken/criminal proceedings

Details of unauthorised expenditure – current year

Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	37 012 025

Details of unauthorised expenditure – Prior year

Overspending of budget - Vote 1	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	46 852 608

44. Fruitless and wasteful expenditure

Opening balance as previously reported	31 850 295	24 430 047
Opening balance as restated	**31 850 295**	**24 430 047**
Add: Expenditure identified - current	14 062 967	7 420 248
Less: Amount written off - current	(7 391 599)	-
Less: Amount written off - prior period	(7 420 248)	-
Closing balance	**31 101 415**	**31 850 295**

Disciplinary steps taken/criminal proceedings

Details of fruitless and wasteful expenditure – current year

Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	13 418 248.73
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA	596 290.99
Interest and penalties on late payment - SARS VAT	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	35 622.08

Details of fruitless and wasteful expenditure – Prior Year

Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	393 506

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

45. Irregular expenditure

Opening balance as previously reported	177 463 671	169 458 360
Opening balance as restated	**177 463 671**	**169 458 360**
Add: Irregular Expenditure - current	1 762 768	810 323
Add: Irregular Expenditure - prior period error	-	7 194 988
Less: Amount written off - prior period	(810 323)	-
Closing balance	**178 416 116**	**177 463 671**

The payment population will be inspected again to confirm if there is other unrecognised irregular expenditure.

The amounts disclosed is inclusive of VAT.

46. Deviation from supply chain management regulations

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

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

2023

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Sole Provider	-	222 240	-	222 240
Emergency	166 389	542 975	3 052 661	3 762 025
Other	522 171	1 994 083	301 183	2 817 437
	688 560	**2 759 298**	**3 353 844**	**6 801 702**

2022

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Sole Provider	113 110	244 795	523 499	881 404
Emergency	278 837	993 064	1 072 113	2 344 014
Other	423 111	1 063 574	188 550	1 675 235
	815 058	**2 301 433**	**1 784 162**	**4 900 653**

Deviations are inclusive of VAT.

Figures in Rand	2023	2022 Restated

47. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

Statutory Receivables from non- Exchange Transactions
Statutory Receivables from non- Exchange Transactions were overstated by R5 018 313 in the prior year due to billing that happened on Municipality owned properties. Journal Entries were passed to rectify this.

Receivables from Exchange Transactions
Receivables from Exchange Transactions were overstated by R3 365 813 in the prior year due to billing that happened on Municipality owned properties. Journal Entries were passed to rectify this.

There was also a reclassification that happened in the prior year as Prior year Unallocated debtors were allocated in the current year resulting in an overstatement of Receivables in the prior year.

Payables from Exchange Transactions
Payables from Exchange Transactions were overstated by R11 463 180 due to 1. Cash Suspense and Sundry creditors were written back to equity as a result of unallocated deposits accumulating from previouse years. The amounts written back were R6 621 169 and R5 042 823 respectively.

Employee Benefit Obligation
Employee Benefit obligation was overstated by R239 000 due to incorrect number of days used on the prior year estimate calculation.

Service Charges
Service Charged were overstated by R3 093 546 in the prior year due to billing that happened on Municipality owned properties. Journal Entries were passed to rectify this.

Property Rates
Property Rates were overstated by R5 290 579 in the prior year due to billing that happened on Municipality owned properties. Journal Entries were passed to rectify this.

Bulk Purchases
Municipalities were cautioned in MFMA Circular No. 93 for the 2019/20 MTREF that the A1 Schedule for the 2020/21 MTREF will be amended in line with the prescripts of GRAP 12. The draft amendments to the A1 Schedule to cater for water under inventory in line with GRAP 12 is attached to the budget circular as Annexure B. The amendments are circulated for comments and will be implemented with effect from the 2021/22 MTREF. This there means in the prior year Bulk Purchases were overstated by R11 102 300 (Water) which had to be reclassified to Inventory and then to Inventory Consumables.

Commitments
It was identified that projects that were completed in prior years were disclosed under commitments in the prior year. This resulted in the overstatement of Commitments in the prior year by R3 828 454.

Property Rates - Valuations
Property Rates Valuation in the prior year was overstated by R86 547 626 due to errors in casting resulting in disclosing incorrect amounts.

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

Statement of financial position		
Statutory Receivables from non-Exchange Transactions	-	(5 018 313)
Receivables from Exchange Transactions	-	(6 334 989)
Payables from exchange transaction	-	11 463 168
Employee Benefit Obligation	-	239 000

Figures in Rand	2023	2022 Restated

47. Prior period errors (continued)

Statement of financial performance		
Service Charges	-	(3 093 546)
Property Rates	-	(5 290 579)

Statement of financial position	Previously reported	Correction of Prior Period Error	Restated Balance
Statutory Receivables from non - Exchange Transactions	57 881 911	(5 018 313)	52 863 598
Receivables from Exchange Transactions	150 714 643	(6 334 989)	144 379 654
Employee Benefit Obligation	(898 000)	239 000	(659 000)
Sundry Creditors	(5 043 813)	5 042 823	(990)
Cash Suspense	(6 621 169)	6 621 169	-
Accumulated Surplus	(663 765 937)	(549 690)	(664 315 627)
	(467 732 365)	**-**	**(467 732 365)**

Statement of financial perfomance	Previously reported	Correction of Prior Period Error	Reclassification	Restated Balance
Service Charges	52 347 606	(3 093 546)	-	49 254 060
Property Rates	28 440 997	(5 290 579)	-	23 150 418
Bulk Purchases	(51 123 943)	-	11 102 300	(40 021 643)
	29 664 660	**(8 384 125)**	**11 102 300**	**32 382 835**

Presentation and Disclosure	Previously reported	Correction of Prior Period Error	Reclassification	Council Write-Off	Restated Balance
Note 17 - Employee Benefit Obligation (LSA)	(4 638 000)	239 000	-	-	(4 399 000)
Note 51 - Commitments	31 939 322	(3 828 454)	-	-	28 110 868
Note 27 - Property Rates - Valuations	3 611 654 376	(86 641 000)	-	-	3 525 013 376
	3 638 955 698	**(90 230 454)**	**-**	**-**	**3 548 725 244**

Fruitless and wasteful expenditure

Opening balance	31 850 295	-
Adjustments made	(7 420 248)	-
Restated opening balance	**24 430 047**	**-**

There was a council resolution were council resoled to write off Fruitless and Wasteful expenditure of R7 420 248. This resulted in the prior year amounts being restated as the expenditure that was return off related to the prior periods.

Irregular expenditure

Opening balance	170 268 683	-
Adjustments made	7 194 988	-
Restated opening balance	**177 463 671**	**-**

There were irregular expenditure that was identified during the prior audit that had been excluded in the Irregular Expenditure Register. This resulted in an understatement of Irregular Expenditure by R7 194 988.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

48. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 15% will be explained on the annual financial statements for the year ended 30 June 2023.

X1: The municipality expected the electricity tariffs increase to have an impact on the consumption.

X2: Management anticipated that companies would still be recovering and would result in low collection.

X3: No dividends received due to poor performance of companies.

X4: Not adequately budgeted for

X5: Commission is difficult to predict as it is based on the frequency of unpredictable events.

X6: Rental income is difficult to predict as it is based on the frequency of unpredictable events.

X7: Other income is difficult to predict as it is based on the frequency of unpredictable events.

X8: Due to funds being kept in investment accounts longer than expected.

X9: Implementation of new valuation roll with higher markets values than previously valued.

X10: Due to money withhled from current year grant.

X11: Licences and permits is difficult to predict as it is based on the frequency of unpredictable events.

Additional text

49. Events after the reporting date

The accounting officers are not aware of any matter or circumstances arising since the end of the financial year.

50. 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.
The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Figures in Rand	2023	2022 Restated

50. Risk management (continued)

Liquidity risk

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

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

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

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	297 235 376	-	-	-
Consumer Deposits	615 518	-	-	-
	297 850 894	**-**	**-**	**-**

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	240 241 318	-	-	-
Consumer Deposits	612 657	-	-	-
Other financial liabilities	137 360	-	-	-
	240 991 335	**-**	**-**	**-**

Credit risk

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

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

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

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

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

Financial instrument	2023	2022
Receivables from exchange transactions	214 791 305	147 348 830
Cash and Cash Equivalents	338 191	587 967

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

50. Risk management (continued)

Interest rate risk

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

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

51. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	46 355 996	31 939 322
• Contract Completed (prior year)	-	(3 828 454)
	46 355 996	**28 110 868**
Total capital commitments		
Already contracted for but not provided for	46 355 996	28 110 868
Total commitments		
Total commitments		
Authorised capital expenditure	46 355 996	28 110 868

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies

The commitments are exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

52. Additional disclosure in terms of Municipal Finance Management Act

Audit Fees

Opening Balance	2 216 919	3 809 927
Current year Audit Fees	3 101 829	3 767 880
Amount Paid - current year	(1 665 702)	(1 550 961)
Amount Paid - Previous years	(2 216 919)	(3 809 927)
	1 436 127	**2 216 919**

PAYE and UIF

Opening Balance	917 284	806 763
Current year payroll deductions	10 852 944	11 372 146
Amount Paid - current year	(10 168 353)	(10 454 862)
Amount paid - previous years	(917 284)	(806 763)
	684 591	**917 284**

Pension and Medical Aid Contributions

Opening Balance	1 619 465	-
Current year payroll deductions	19 994 299	16 184 295
Amount Paid - current year	(18 326 507)	(14 564 830)
Amount Paid - Previous Years	(1 619 465)	-
	1 667 792	**1 619 465**

Contribution to SALGA

Opening Balance	789 555	673 867
Current Year Subscriptions	852 645	789 555
Amount Paid - Previous Years	(782 350)	(673 867)
	859 850	**789 555**

For disclosure of VAT kindly refer to Note 5

53. Distribution Losses

Electricity

KWh purchased (units)	17 316 444	21 470 178
KWh sold	(9 389 004)	(10 966 666)
	7 927 440	**10 503 512**
Loss in %	**46%**	**49%**
Average cost per unit (R)	**2,25**	**1,82**
Losses in rand	**17 830 741**	**19 075 195**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated

53. Distribution Losses (continued)

Water		
Water (KL) purchased	1 119 410	1 066 010
Water (KL) sold to customers	(910 236)	(554 587)
	209 174	**511 423**
Loss in %	**19%**	**49%**
Average cost per unit (R)	**8,59**	**7.94**
Losses in Rand Value	1 796 706	4 140 099

Water losses for the financial year is 19% (2021: 49%). The water losses for the current year is 209 174KL (2022:511 423KL). The rand value of water losses for the current financial year is R1 796 706 (2022: R4 140 099)

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six major functional segments. The segments are organised around the functions and these are Budget and Treasury, Planning and Development, Executive and Council, Community Services, Corporate Services, Technical Services.. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Description of Segments and Principal activites

Reportable Segment	Principal sctivities and Operationst
Technical Services	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water, distribution of electricity to residential to residential, commercial and industrial customers in eMkhondo and provide the link between Eskom and electricity consumers and also road maintanance.
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social service, sport and recreation facilitie, crime prevention and traffic enforcement.
Planning Developmnent	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development.
Executive and Council	This segment is responsible for all aspects of governance of municipality.
Budget and Treasury	This segment is responsible for all aspects fo financial administration of the municipality. Various transactions are managed and administered centrally.
Corporate Services	This segment deals with administration and human resources.

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Financial Services	Community Services	Planning Developmnent	Executive and Council	Corporate Services	Total
Revenue						
Revenue from non-exchange transactions	187 122 060	1 200 048	-	-	-	188 322 108
Revenue from exchange transactions	28 883 101	2 339	93 742 350	-	-	122 627 790
Total segment revenue	**216 005 161**	**1 202 387**	**93 742 350**	**-**	**-**	**310 949 898**
Municipality's Total Segment Revenue						**310 949 898**
Expenditure						
Salaries and wages	17 083 778	1 324 292	44 425 711	6 445 064	7 432 064	76 710 909
Other expenses	100 889 487	990 381	54 810 919	5 119 286	2 831 047	164 641 120
Depreciation and Armotisation	1 104 097	-	25 517 009	-	-	26 621 106
Total segment expenditure	**119 077 362**	**2 314 673**	**124 753 639**	**11 564 350**	**10 263 111**	**267 973 135**
Total Municipality Segmental surplus						**42 976 763**

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

2022

	Financial Services	Community Services	Planning and Development	Executive and Council	Corporate Services	Total
Revenue						
Revenue from non-exchange transactions	161 385 407	-	-	-	-	161 385 407
Revenue from exchange transactions	27 535 184	25 897	70 542 053	-	-	98 103 134
Total segment revenue	**188 920 591**	**25 897**	**70 542 053**	**-**	**-**	**259 488 541**

54. Segment information (continued)

Municipality's Total Segment Revenue						**259 488 541**
Expenditure						
Salaries and wages	17 345 514	3 556 692	41 145 336	1 683 041	7 546 682	71 277 265
Other expenses	87 227 022	41 046	46 029 809	4 828 653	1 051 790	139 178 320
Depreciation and Armotisation	1 625 799	1 320 982	23 964 655	-	-	26 911 436
Total segment expenditure	**106 198 335**	**4 918 720**	**111 139 800**	**6 511 694**	**8 598 472**	**237 367 021**
Total Municipality Segmental surplus						**22 121 520**