



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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Mayoral committee

Executive Mayor

Speaker

Chief Whip

Executive Members

MPAC Chairperson

Councillors

Hon Cllr NN Mahlangu (PR)

Hon Cllr MS Letlakane (PR)

Cllr NJ Molehabangwe (PR)

Cllr S Viljoen (PR)

Cllr MA Molamuagae (PR)

Cllr JP Molatudi (Ward 10)

Cllr TP Januarie (Ward 01)

Cllr MV Mogodu (Ward 02)

Cllr MM Moreo (Ward 03)

Cllr NW Thwane (Ward 04)

Cllr RL Tihagale (Ward 05)

Cllr TJ Sekgelo (Ward 06)

Cllr NP Moleboge (Ward 07)

Cllr GD Gaedie (Ward 08)

Cllr SJ Kgatitswe (Ward 09)

Cllr SK Moleleki (Ward 11)

Cllr SM Williams (Ward 12)

Cllr TM Sehemu (Ward 13)

Cllr PM Mokoto (Ward 14)

Cllr F Lobelo (PR)

Cllr ME Molete (PR)

Cllr LY Taaljardt (PR)

Cllr JK Mangwejane (PR)

Cllr MA Callghan (PR)

Cllr MM Moruapheko (PR)

Cllr KP Mathibe (PR)

Cllr NR Baitsumedi (PR)

Cllr E Pretorius (PR)

Kgosi J Molete (Traditional Leader)

Kgosi C Moshoeite (Traditional Leader)

Grading of local authority

3

Accounting Officer

Mr K.S.D. Mere

Acting Chief Financial Officer

Ms S. Pelele

Registered office

Cnr. General Delarey and Government Street
Delareyville
2770

Business address

Cnr. General Delarey and Government Street
Delareyville
2770

Postal address

P O Box 24
Delareyville
2770

Bankers

First National Bank

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on page 5 - 101, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023.

Mr K.S.D. Mere
Accounting Officer

Delareyville

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 29 115 481 (2022: surplus R 14 258 370).

2. Going concern

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

3. Subsequent events

On 01/07/2023 Mr K.S.D. Mere was appointed as the Municipal Manager of the Municipality on a 5 year contract. Ms G. Moipolai had been acting in the position on a month to month basis from 07/12/2022 to 30/06/2023.

4. Accounting Officer's interest in contracts

The accounting officer does not have any interest in any contract concerning Tswaing Local Municipality.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

7. Bankers

The banker of Tswaing Local Municipality is First National Bank.

8. Auditors

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	2	3 298 804	3 080 063
Receivables from exchange transactions	3	8 045 226	13 187 820
Receivables from non-exchange transactions	4	18 972 253	11 419 062
VAT receivable	52	30 510 662	18 534 904
Trade and other receivables from exchange	5	50 580 765	30 344 413
Cash and cash equivalents	6	494 820	1 076 882
		111 902 530	77 643 144
Non-Current Assets			
Biological assets	7	3 883 801	2 221 900
Investment property	8	62 585 819	62 639 843
Property, plant and equipment	9	701 495 994	661 550 727
Heritage assets	10	953 000	953 000
Other financial assets	11	504 019	517 786
		769 422 633	727 883 256
Total Assets		881 325 163	805 526 400
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	338 818 135	285 113 649
Consumer deposits	13	1 389 369	1 322 611
Employee benefit obligation	45	468 527	791 761
Unspent conditional grants and receipts	14	-	401 170
Provisions	15	2 304 631	1 703 020
		342 980 662	289 332 211
Non-Current Liabilities			
Employee benefit obligation	45	21 379 000	31 159 681
Provisions	15	42 573 468	39 757 953
		63 952 468	70 917 634
Total Liabilities		406 933 130	360 249 845
Net Assets		474 392 033	445 276 555
Accumulated surplus		474 392 033	445 276 555

* See Note 54 & 49

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	74 662 061	92 999 169
Rental of facilities and equipment		70 405	26 545
Licences and permits		3 841 305	2 649 641
Other income	18	794 132	290 667
Interest received - investment	19	281 631	197 148
Dividends received	19	19 840	27 320
Total revenue from exchange transactions		79 669 374	96 190 490
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	28 770 537	26 536 093
Transfer revenue			
Government grants & subsidies	21	222 251 974	180 785 343
Fines		521 380	636 100
Total revenue from non-exchange transactions		251 543 891	207 957 536
Total revenue	16	331 213 265	304 148 026
Expenditure			
Employee related costs	22	(100 032 010)	(89 287 401)
Remuneration of councillors	23	(11 682 957)	(10 850 037)
Depreciation and amortisation	24	(26 494 322)	(30 240 833)
Finance costs	25	(24 607 748)	(15 354 841)
Lease rentals on operating lease		(962 504)	(969 661)
Debt Impairment	26	(11 397 474)	(21 843 861)
Bad debts written off		(6 256 713)	-
Loss due to undeposited receipts	48	(100 180)	(781 033)
Bulk purchases	27	(50 861 267)	(51 554 286)
Contracted services	28	(33 046 697)	(26 276 785)
Fines and penalties	47	(1 733 972)	(1 667 949)
General Expenses	29	(54 008 332)	(41 386 609)
Total expenditure		(321 184 176)	(290 213 296)
Operating surplus	34	10 029 089	13 934 730
Loss on disposal of assets and liabilities		(3 485 485)	(2 927 403)
Fair value adjustments	30	(13 767)	(10 148)
Actuarial gains/losses	31	15 850 467	5 126 108
Gain on biological assets		1 661 901	(85 600)
Reversal of impairments (Impairment loss)	32	5 212 932	(1 387 251)
Inventories losses/write-downs		(139 656)	(392 066)
		19 086 392	323 640
Surplus for the year		29 115 481	14 258 370

* See Note 54 & 49

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	480 771 487	480 771 487
Adjustments		
Correction of errors	(49 753 306)	(49 753 306)
Balance at 01 July 2021 as restated*	431 018 181	431 018 181
Changes in net assets		
Correction of errors	(168 605 950)	(168 605 950)
Deficit as previously reported	182 864 324	182 864 324
Total changes	14 258 374	14 258 374
Restated* Balance at 01 July 2022	445 276 552	445 276 552
Changes in net assets		
Deficit for the year	29 115 481	29 115 481
Total changes	29 115 481	29 115 481
Balance at 30 June 2023	474 392 033	474 392 033

Note(s)

* See Note 54 & 49

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Interest income		281 631	197 148
Dividends		19 840	27 320
Cash receipts from ratepayers, government & others		291 013 181	284 727 594
		<u>291 314 652</u>	<u>284 952 062</u>
Payments			
Interest paid		(49 853)	-
Cash paid to suppliers and employees		(227 188 740)	(263 760 697)
		<u>(227 238 593)</u>	<u>(263 760 697)</u>
Net cash flows from operating activities	35	<u>64 076 059</u>	<u>21 191 365</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(64 658 121)	(42 547 695)
Net increase/(decrease) in cash and cash equivalents		(582 062)	(21 356 330)
Cash and cash equivalents at the beginning of the year		1 076 882	22 433 212
Cash and cash equivalents at the end of the year	6	<u>494 820</u>	<u>1 076 882</u>

* See Note 54 & 49

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	123 422 671	(37 791 558)	85 631 113	74 662 061	(10 969 052)	N1
Rental of facilities and equipment	-	-	-	70 405	70 405	N2
Licences and permits	1 943 249	1 341 777	3 285 026	3 841 305	556 279	N3
Other income	169 088	75 156	244 244	794 132	549 888	N4
Interest received - investment	12 165	18 223	30 388	281 631	251 243	N5
Dividends received	18 900	-	18 900	19 840	940	
Total revenue from exchange transactions	125 566 073	(36 356 402)	89 209 671	79 669 374	(9 540 297)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	35 553 986	(2 529 721)	33 024 265	28 770 537	(4 253 728)	N6
Transfer revenue						
Government grants & subsidies	185 570 000	13 000 000	198 570 000	222 251 974	23 681 974	N7
Fines	-	-	-	521 380	521 380	N8
Total revenue from non-exchange transactions	221 123 986	10 470 279	231 594 265	251 543 891	19 949 626	
Total revenue	346 690 059	(25 886 123)	320 803 936	331 213 265	10 409 329	
Expenditure						
Employee related costs	(97 810 670)	2 327 039	(95 483 631)	(100 032 010)	(4 548 379)	N9
Remuneration of councillors	(10 814 474)	38 857	(10 775 617)	(11 682 957)	(907 340)	N10
Depreciation	(43 830 613)	-	(43 830 613)	(26 494 322)	17 336 291	N11
Impairment loss	-	-	-	5 212 932	5 212 932	N12
Finance costs	(862 417)	-	(862 417)	(24 607 748)	(23 745 331)	N13
Lease rentals on operating lease	-	-	-	(962 504)	(962 504)	N14
Debt impairment	(81 246 000)	9 500 000	(71 746 000)	(11 397 474)	60 348 526	N15
Bad debts written off	-	-	-	(6 256 713)	(6 256 713)	N16
Loss on undeposited receipts	-	-	-	(100 180)	(100 180)	N17
Bulk purchases	(52 622 689)	-	(52 622 689)	(50 861 267)	1 761 422	N18
Contracted Services	(18 429 169)	(8 526 371)	(26 955 540)	(33 046 697)	(6 091 157)	N19
Fines and penalties	-	-	-	(1 733 972)	(1 733 972)	N20
General Expenses	(16 813 706)	(2 524 470)	(19 338 176)	(54 008 332)	(34 670 156)	N21
Total expenditure	(322 429 738)	815 055	(321 614 683)	(315 971 244)	5 643 439	
Operating surplus	24 260 321	(25 071 068)	(810 747)	15 242 021	16 052 768	
Loss on disposal of assets and liabilities	-	-	-	(3 485 485)	(3 485 485)	N22
Fair value adjustments	-	-	-	(13 767)	(13 767)	N23
Actuarial gains/losses	-	-	-	15 850 467	15 850 467	N24
Gain on biological assets and agricultural produce	-	-	-	1 661 901	1 661 901	N25
Inventories losses/write-downs	-	-	-	(139 656)	(139 656)	N26
	-	-	-	13 873 460	13 873 460	

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	24 260 321	(25 071 068)	(810 747)	29 115 481	29 926 228	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	24 260 321	(25 071 068)	(810 747)	29 115 481	29 926 228	

Please refer to note 44 for explanations on the budget differences. Explanations for the budget adjustments have been included in the budget adjustment report. This report has been presented to council and provincial treasury.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 expected cash flows. Expected cash flows are calculated by multiplying the average collections ratio over a three year period by the closing balance as per the debtors ageing analysis.

Provision for doubtful debts

The Municipality has assessed that none of the debtors are individually significant as no individual debtor has a balance that exceeds twenty five percent of the total debtors balance. As a result all debtors are included in the same population (before splitting in groups) for the impairment calculation.

Debtors are grouped into three different categories based on their payment history

Group 1: Customers with no non payments in the past (These would typically be customers that made payments every month over the twelve month period. In addition Group 1 includes government debtors which are assumed to be fully recoverable.

Group 2: Customers with non-payments in the past but where some amounts were recovered (These would typically be customers that did not make payments every month over the twelve month period.)

Group 3: Customers who typically fail to pay on a month on month basis with very little probability of recovery of any of the outstanding amount (These would typically be those customers who never made a single payment during the twelve month period.)

Based on this information, the following impairment calculation is applied:

Group 1: Since the customers in Group 1 made at least twelve payments during the financial year ended 30 June 2021, the amounts owing are considered to be fully recoverable. As a result, the expected cash flows are equal to the carrying amount.

Group 2: The expected cash flows are calculated by multiplying the collections ratio over a three year period by the closing balance as per the debtors ageing analysis.

Group 3: The expected cash flows are calculated by multiplying the collections ratio over a three year period by the closing balance as per the debtors ageing analysis..

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 15 - Provisions.

Useful lives of waste and water network and other assets

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 45.

Allowance for doubtful debts

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

1.4 Biological assets

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.5 Investment property

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

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

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

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

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

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

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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

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 by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer equipment	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Roads network infrastructure	Straight line	5 - 100 years
Storm water infrastructure	Straight line	5 - 100 years
Water supply infrastructure	Straight line	5 - 100 years
Electrical network infrastructure	Straight line	5 - 100 years
Sanitation network infrastructure	Straight line	5 - 100 years
Solid waste infrastructure	Straight line	5 - 100 years

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

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

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

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

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

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

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

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

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1.7 Heritage assets

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 generation.

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

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

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

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

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.

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.

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

The municipality assess 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.

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

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

1.8 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity 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 entity'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.

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Accounting Policies

1.8 Financial instruments (continued)

- 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 entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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 entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised 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 entity'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 entity.

Tswaing Local Municipality

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1.8 Financial instruments (continued)

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 entity 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 entity designates at fair value at initial recognition; or
- are held for trading.

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

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

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

Classification

The 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
Trade and Other Receivables	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Listed shares	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Employee obligations	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

Listed shares are measured at fair value using market values at year end.

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Reclassification

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

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

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Tswaing Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- 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 continue 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.

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Accounting Policies

1.8 Financial instruments (continued)

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

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.

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.

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Tswaing Local Municipality

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Accounting Policies

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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.

1.10 Consumer deposits

Consumer deposits consist of deposits for opening a municipal account and rental deposits received from rental of municipal facilities. The deposits are payable when a customer account is closed or when the customers vacate the properties and are therefore accounted for as payables.

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.

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Accounting Policies

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.

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:

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

1.14 Employee benefits

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

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

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

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

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

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1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

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 entity 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.

Tswaing Local Municipality

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1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

Tswaing Local Municipality

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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 entity recognise 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 entity) that are held by an entity (a fund) that is legally separate from the reporting entity 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 entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity 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 recognise 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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity'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 entity measure 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.

Tswaing Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

The entity determine 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 entity 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 entity 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 entity 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 entity 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 entity 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 entity 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 entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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 deficit.

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.

Tswaing Local Municipality

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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.

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.

Tswaing Local Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Tswaing Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

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.

Tswaing Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Government grants and subsidies

Government grants are recognised as revenue when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

the amount of the revenue can be measured reliably, and

to the extent that there has been compliance with any restrictions associated with the grant.

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.

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 Accounting by principals and agents

Identification

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

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

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

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Accounting Policies

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Tswaing Local Municipality

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Accounting Policies

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

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

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

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

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

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

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

1.26 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.

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.

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Accounting Policies

1.26 Segment information (continued)

Measurement

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

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

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 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.

1.28 Related parties

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

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

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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
2. Inventories		
Land inventory	2 609 782	2 609 927
Stores, materials and fuels	689 022	470 136
	3 298 804	3 080 063
2.1 Amounts written down included in statement of financial performance		
Inventory write-down	139 656	392 066
Inventory pledged as security		
No inventory has been pledged as security.		
3. Receivables from exchange transactions		
Employee debtors	223 354	176 078
Supplier with debit balance	7 935 629	12 163 500
Pensioner debtors	1 890 375	1 749 391
Other debtors	89 444	72 760
Debtors allowance for impairment	(2 093 576)	(973 909)
	8 045 226	13 187 820
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(973 909)	(973 909)
Provision for impairment	(1 121 531)	-
	(2 095 440)	(973 909)
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	110 789 516	96 971 510
Impairment	(91 934 472)	(86 188 548)
	18 855 044	10 782 962
Fines	117 209	636 100
Consumer debtors - Rates	18 855 044	10 782 962
	18 972 253	11 419 062

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from non-exchange transactions (continued)		
Current assets	18 972 253	11 419 062
Gross balances		
Current (0 -30 days)	3 601 049	3 362 929
31 - 60 days	1 677 432	1 629 078
61 - 90 days	1 671 004	1 572 222
91 - 120 days	1 656 496	1 594 288
121+ days	102 183 535	88 812 993
	110 789 516	96 971 510
Less: Allowance for impairment		
Opening balance	(86 188 548)	(72 461 839)
Provision for impairment	(5 745 924)	(13 726 709)
	(91 934 472)	(86 188 548)
Total receivables from non-exchange transactions	18 855 044	61 626 452
5. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	76 007 659	75 965 976
Water	46 646 833	44 278 013
Sewerage	91 398 224	80 422 737
Refuse	83 152 560	72 221 530
	297 205 276	272 888 256
Less: Allowance for impairment		
Electricity	(63 072 069)	(67 518 771)
Water	(38 708 103)	(39 354 422)
Sewerage	(75 843 345)	(71 479 953)
Refuse	(69 000 994)	(64 190 697)
	(246 624 511)	(242 543 843)
Net balance		
Electricity	12 935 590	8 447 205
Water	7 938 730	4 923 591
Sewerage	15 554 879	8 942 784
Refuse	14 151 566	8 030 833
	50 580 765	30 344 413
Electricity		
Current (0 -30 days)	2 930 286	6 628 985
31 - 60 days	2 468 106	2 485 291
61 - 90 days	748 459	2 881 269
91 - 120 days	2 325 047	5 793 117
121 - 365 days	67 535 761	58 177 314
Impairment	(63 072 069)	(67 518 771)
	12 935 590	8 447 205

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Trade and other receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	953 712	833 610
31 - 60 days	470 582	616 524
61 - 90 days	409 714	572 198
91 - 120 days	408 304	567 115
121 - 365 days	44 404 521	41 688 566
Impairment	(38 708 103)	(39 354 422)
	7 938 730	4 923 591
Sewerage		
Current (0 -30 days)	2 401 088	2 301 007
31 - 60 days	1 155 282	1 165 381
61 - 90 days	1 156 115	1 149 691
91 - 120 days	1 142 884	1 154 560
121 - 365 days	85 542 855	74 652 098
Impairment	(75 843 345)	(71 479 953)
	15 554 879	8 942 784
Refuse		
Current (0 -30 days)	2 241 485	2 150 728
31 - 60 days	1 090 724	1 101 215
61 - 90 days	1 086 551	1 096 354
91 - 120 days	1 078 093	1 091 031
121 - 365 days	77 655 707	66 782 202
Impairment	(69 000 994)	(64 190 697)
	14 151 566	8 030 833
Reconciliation of allowance for impairment		
Balance at beginning of the year	(242 543 843)	(233 209 118)
Contributions to allowance	(4 080 668)	(9 334 725)
	(246 624 511)	(242 543 843)

The municipality does not have any receivables past due that have not been impaired.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	455	455
Bank balances	418 913	1 076 427
Cash in transit	75 452	-
	494 820	1 076 882

The municipality 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 (52050012816)	413 747	1 068 902	4 939 606	413 749	1 068 902	4 939 606
First National Bank - Traffic Fines Account (62526417086)	5 164	-	19 058	5 164	-	19 058
First National Bank - MoneyMarket Account (62263163752)	-	7 525	17 474 092	-	7 525	17 474 092
Total	418 911	1 076 427	22 432 756	418 913	1 076 427	22 432 756

7. Biological assets

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Wildlife	3 883 801	-	3 883 801	2 221 900	-	2 221 900

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	2 221 900	1 661 901	3 883 801

Reconciliation of biological assets - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	2 307 500	(85 600)	2 221 900

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

7. Biological assets (continued)

Non-financial information

Quantities of each biological asset

Oryx (Gemsbok)	-	16
Impala	40	37
Springbok	179	185
Red Hartebeest	39	32
Waterbuck	-	4
Black Wildebeest	233	193
Blesbuck	325	175
Ostrich	9	5
Zebra (Plains / Burchell's)	169	165
	994	812

Reconciliation of quantities of each biological asset

2023

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Oryx (Gemsbok)	16		(16)	0
Impala	37	3		40
Springbok	185		(6)	179
Red Hartebeest	32	7		39
Waterbuck	4		(4)	0
Black Wildebeest	193	40		233
Blesbok	175	150		325
Ostrich	5	4		9
Zebra (Plains / Burchell's)	165	4		169
TOTAL	812	208	(26)	994

2022

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Oryx (Gemsbok)	35		(19)	16
Impala	46		(9)	37
Springbok	180	5		185
Red Hartebeest	46		(14)	32
Waterbuck	15		(11)	4
Black Wildebeest	180	13		193
Blesbok	174	1		175
Ostrich	5			5
Zebra (Plains / Burchell's)	164	1		165
TOTAL	845	20	(53)	812

Fair value of the biological assets is determined at year end using market values.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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2023

2022

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	65 062 447	(2 476 628)	62 585 819	65 102 447	(2 462 604)	62 639 843

Reconciliation of investment property - 2023

	Opening balance	Disposals	Depreciation	Total
Investment property	62 639 843	(40 000)	(14 024)	62 585 819

Reconciliation of investment property - 2022

	Opening balance	Disposals	Depreciation	Total
Investment property	62 832 943	(40 000)	(153 100)	62 639 843

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

Deemed Cost

Investment property consists of land and buildings and is carried at cost. No depreciation is calculated on the land as it is deemed to have an indefinite useful life.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	70 014	26 545
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Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	125 170 508	-	125 170 508	125 170 508	-	125 170 508
Buildings	105 360 356	(89 936 858)	15 423 498	105 360 356	(88 665 399)	16 694 957
Machinery and Equipment	195 123	(53 225)	141 898	64 058	(58 872)	5 186
Furniture and fixtures	2 326 265	(2 178 378)	147 887	2 342 035	(2 094 547)	247 488
Motor vehicles	9 016 686	(7 936 045)	1 080 641	9 045 853	(7 361 219)	1 684 634
Office equipment	75 743	(58 233)	17 510	75 743	(54 133)	21 610
Computer equipment	3 019 441	(1 503 595)	1 515 846	2 637 618	(1 229 086)	1 408 532
Other Assets	908 587	(517 314)	391 273	908 587	(434 919)	473 668
Infrastructure Community Assets	243 619 926	(155 513 654)	88 106 272	239 310 845	(148 669 597)	90 641 248
Roads Network Infrastructure	558 995 082	(273 495 599)	285 499 483	519 959 601	(271 730 642)	248 228 959
Storm Water Infrastructure	38 217 080	(22 400 716)	15 816 364	35 494 806	(21 595 578)	13 899 228
Water Supply Network Infrastructure	2 823 645	(1 863 606)	960 039	2 823 645	(1 722 423)	1 101 222
Electrical Network Infrastructure	144 335 475	(65 198 050)	79 137 425	127 320 336	(62 086 617)	65 233 719
Sanitation Network Infrastructure	835 580	(555 773)	279 807	835 580	(528 649)	306 931
Solid Waste Infrastructure	2 599 976	(2 362 095)	237 881	2 599 976	(2 275 429)	324 547
Work in progress	91 675 865	(4 106 203)	87 569 662	100 214 493	(4 106 203)	96 108 290
Total	1 329 175 338	(627 679 344)	701 495 994	1 274 164 040	(612 613 313)	661 550 727

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 170 508	-	-	-	-	-	-	-	125 170 508
Buildings	16 694 957	-	-	-	-	(1 346 782)	(120 180)	195 503	15 423 498
Machinery and equipment	5 186	146 350	(13)	-	-	(9 625)	-	-	141 898
Furniture and fixtures	247 488	-	(31)	-	-	(99 570)	-	-	147 887
Motor vehicles	1 684 634	-	(1 459)	-	-	(602 534)	-	-	1 080 641
Office equipment	21 610	-	-	-	-	(4 100)	-	-	17 510
Computer equipment	1 408 532	612 812	(153 063)	-	-	(352 435)	-	-	1 515 846
Other Assets	473 668	-	-	-	-	(82 395)	-	-	391 273
Infrastructure Community Assets	90 641 248	-	-	4 309 081	-	(5 779 712)	(1 106 970)	42 625	88 106 272
Roads Network Infrastructure	248 228 959	-	(3 290 919)	48 391 091	-	(13 731 017)	(9 385)	5 910 754	285 499 483
Storm Water Infrastructure	13 899 228	-	-	2 722 275	-	(1 105 724)	(35 376)	335 961	15 816 364
Water Supply Network Infrastructure	1 101 222	-	-	-	-	(141 183)	-	-	960 039
Electrical Network Infrastructure	65 233 719	-	-	17 015 139	-	(3 111 433)	-	-	79 137 425
Sanitation Network Infrastructure	306 931	-	-	-	-	(27 124)	-	-	279 807
Solid Waste Infrastructure	324 547	-	-	-	-	(86 666)	-	-	237 881
Work in progress	96 108 290	63 898 959	-	-	(72 437 587)	-	-	-	87 569 662
	661 550 727	64 658 121	(3 445 485)	72 437 586	(72 437 587)	(26 480 300)	(1 271 911)	6 484 843	701 495 994

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	125 170 508	-	-	-	-	-	-	125 170 508
Buildings	16 295 750	-	-	4 228 435	-	(3 799 402)	(29 826)	16 694 957
Machinery and equipment	8 924	-	-	-	-	(3 738)	-	5 186
Furniture and fixtures	415 870	-	(3 496)	-	-	(164 886)	-	247 488
Motor vehicles	2 522 765	-	(79 228)	-	-	(758 903)	-	1 684 634
Office equipment	27 817	-	(1 696)	-	-	(4 511)	-	21 610
Computer equipment	923 687	868 089	(165 551)	-	-	(217 693)	-	1 408 532
Other Assets	517 725	37 391	(197)	-	-	(81 251)	-	473 668
Community Facilities	97 106 808	-	-	-	-	(6 390 495)	(75 065)	90 641 248
Roads Network Infrastructure	253 398 806	-	(2 285 558)	11 467 141	-	(14 350 542)	(888)	248 228 959
Storm Water Infrastructure	14 215 304	-	(351 675)	1 063 025	-	(1 027 426)	-	13 899 228
Water Supply Network Infrastructure	1 242 404	-	-	-	-	(141 182)	-	1 101 222
Electrical Network Infrastructure	68 381 536	-	-	-	-	(3 033 912)	(113 905)	65 233 719
Sanitation Network Infrastructure	334 054	-	-	-	-	(27 123)	-	306 931
Solid Waste Infrastructure	411 212	-	-	-	-	(86 665)	-	324 547
Work in progress	72 392 244	41 639 109	-	-	(16 758 601)	-	(1 164 462)	96 108 290
	653 365 414	42 544 589	(2 887 401)	16 758 601	(16 758 601)	(30 087 729)	(1 384 146)	661 550 727

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Property, plant and equipment (continued)		
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		
Construction of Internal Roads and taxi route Atamelang : Ward 7	3 727 106	3 727 106
Highmastlights phase 2	9 110 787	9 110 787
Agisanang Landfill Site	994 075	994 075
Upgrading of Internal roads in Ganalaagte	8 023 201	8 023 201
Road Infrus - Letsopa Community Hall	3 628 992	3 628 992
	25 484 161	25 484 161

1. Construction of Internal Roads and taxi route Atamelang : Ward 7

Community unrests and poor performance of the contractor, Coghta has advised the Municipality to re-appraise the project.

2. Highmastlights phase 2

The Project is awaiting Eskom to energise the (6) Six remaining High Mast Lights on the below- mentioned areas: Further engagements with Eskom to energise

3. Agisanang Landfill Site

The progress progress is affected by the finalisation of appointment of contractor. No contractor has been appointed. Designs are completed, but the previously identified land was disapproved by DEDECS. Municipality to identify a suitable land for the implementation of the project.

4. Upgrading of Internal roads in Ganalaagte

The Project is stalling. The progress of this project was affected by the death of the managing Director of the appointed company and poor performance of the Contractor. However, the municipality is on the process of re-apprising this project around November 2023. Coghta has advised the Municipality to re-appraise the project.

5. Road Infrus - Letsopa Community Hall

The Project is incomplete due to poor performance of the Contractor which was affected by the stoppage of R12 m by National Treasury in 2018/19 FY. Coghta has advised the Municipality to re-appraise the project.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	31 016 041	30 522 608	11 818 367	22 751 275	96 108 291
Additions/capital expenditure	38 685 431	8 442 773	9 220 690	7 550 066	63 898 960
Transferred to completed items	(50 940 993)	(17 015 139)	-	(4 481 455)	(72 437 587)
	18 760 479	21 950 242	21 039 057	25 819 886	87 569 664

Reconciliation of Work-in-Progress 2022

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	37 633 582	22 139 123	7 826 185	4 793 455	72 392 345
Additions/capital expenditure	5 912 625	8 383 485	8 220 716	19 122 282	41 639 108
Transferred to completed items	(12 530 166)	-	(4 228 435)	-	(16 758 601)
Impairment	-	-	-	(1 164 462)	(1 164 462)
	31 016 041	30 522 608	11 818 466	22 751 275	96 108 390

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

Repairs and maintenance	456 333	5 358 243
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Transfers

Transfers in/out relates to projects that were recognised as Work in progress that have reached completion and now form part of additions of infrastructure assets, community assets or land and buildings.

The Work in progress is thus transferred from the Work in progress account to the infrastructure assets, community assets or land and buildings accounts.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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9. Property, plant and equipment (continued)

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	953 000	-	953 000	953 000	-	953 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	953 000	953 000

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	953 000	953 000

Condition of heritage assets

As at 30 June 2023, the historical monument has been assessed to be in a good condition.

Restrictions on heritage assets

There are no restrictions on the title and disposal of the heritage assets.

Fair value of heritage assets (measured at cost less accumulated impairment losses)

	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Historical monuments	953 000	1 667 800	953 000	1 667 800

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Other financial assets		
Designated at fair value		
Listed shares	504 019	517 786
Non-current assets		
Designated at fair value	504 019	517 786

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Other financial assets (continued)		
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Old Mutual Limited (OMU) The municipality holds 5862 shares in Old Mutual (OMU). These shares were valued at R 12,12 per share as at 30 June 2023 (R 11,44 as at 30 June 2022). The share price was obtained from moneyweb.co.za	71 047	67 061
Old Mutual Limited (NED) The municipality holds 265 shares in Old Mutual (NED). These shares were valued at R 228,65 per share as at 30 June 2023 (R 224,54 as at 30 June 2022). The share price was obtained from moneyweb.co.za	60 574	59 503
Old Mutual Limited (QLT) The municipality holds 1674 shares in Old Mutual (QLT). These shares were valued at R 19,29 per share as at 30 June 2023 (3628 shares at R 21,45 per share as at 30 June 2022). The share price was obtained from moneyweb.co.za	32 291	77 821
Sanlam Limited The municipality holds 5793 shares in Sanlam. These shares were valued at R 58,71 per share as at 30 June 2023 (R 54,10 as at 30 June 2022). The share price was obtained from CompuShare Investor Centre	340 107	313 401
	504 019	517 786

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Old Mutual Limited (OMU)	71 047	67 061
Old Mutual Limited (NED)	60 574	59 503
Old Mutual Limited (QLT)	32 291	77 821
Sanlam Limited	340 107	313 401
	504 019	517 786

Reconciliation of financial assets at fair value through surplus or deficit

2023

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	67 061	3 986	71 047
Old Mutual Limited (NED)	59 503	1 071	60 574
Old Mutual Limited (QLT)	77 821	(45 529)	32 292
Sanlam Limited	313 401	26 706	340 107
	517 786	(13 766)	504 020

2022

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

11. Other financial assets (continued)

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	79 137	(12 076)	67 061
Old Mutual Limited (NED)	32 123	27 380	59 503
Old Mutual Limited (QLT)	57 565	20 256	77 821
Sanlam Limited	359 109	(45 708)	313 401
	527 934	(10 148)	517 786

12. Payables from exchange transactions

Trade payables	228 036 062	186 544 418
Payments received in advanced	23 166 037	13 128 520
Retentions	16 495 993	13 556 984
Other payables	48 071 192	52 503 924
Accrued leave pay	8 980 971	7 892 762
Accrued bonus	1 865 602	1 912 557
Unallocated deposits	12 202 278	9 574 484
	338 818 135	285 113 649

13. Consumer deposits

Rates	1 382 485	1 317 747
Housing rental	6 884	4 864
	1 389 369	1 322 611

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Sanitation Grant	-	170 470
Expanded Public Works Grant (EPWP)	-	230 700
	-	401 170

Movement during the year

Balance at the beginning of the year	401 170	6 007 825
Additions during the year	68 462 249	41 914 800
Income recognition during the year	(68 632 719)	(47 521 455)
Denied Roll-over	(230 700)	-
	-	401 170

15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	34 784 644	2 288 594	-	1 238 334	38 311 572
Employee long service benefit cost	6 676 329	455 700	(509 150)	(56 352)	6 566 527
	41 460 973	2 744 294	(509 150)	1 181 982	44 878 099

Tswaing Local Municipality

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15. Provisions (continued)

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	29 836 930	3 846 731	-	1 100 983	34 784 644
Employee long service benefit cost	7 259 399	523 731	(1 298 788)	191 987	6 676 329
	37 096 329	4 370 462	(1 298 788)	1 292 970	41 460 973
Non-current liabilities				42 573 468	39 757 953
Current liabilities				2 304 631	1 703 020
				44 878 099	41 460 973

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15. Provisions (continued)

Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

METHODOLOGY OF FINANCIAL ASSESSMENT AND ASSUMPTIONS USED

Engineering Inflationary Assumptions used

The unit cost of the various cost elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the www.dialytenders.co.za) websites, using the coefficients for Earthworks as provided in the General Conditions of Contract.

Online research of services within the locality of Tswaing was used to determine unit rates for the cost derived for the closure and rehabilitation items. The pricing guide is the industry standard in referencing material for any stakeholder involved in the South African construction sector.

Description of the Landfill Closure and Rehabilitation Costing Methodology (LCRCM)

The Landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five components namely:

1. The elements that make up the final rehabilitation and closure costs.
2. Basic unit costs for each cost element.
3. Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost.
4. A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon.
5. Discounting of the rehabilitation and closure costs.

Cost Elements

The following cost elements are included in the LCRCM;

Planning for closure (incurred in the two years ahead of actual closure of the landfill)

- License application for operation to closure (only if the landfill is not permitted/licensed)
- Landfill closure report
- Basic assessment
- Finalise end-use plan
- Closure design

[Note: In practice some of the elements of the above planning for closure costs may be part of the same process. However, the elements have been split to allow for the effect of variables on different parts of the process/documents to be transparent. The design of the model ensures that no double accounting takes place.]

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15. Provisions (continued)

Rehabilitation and closure (incurred in the year of closure of the landfill and the following three years)

- Clearing, shaping, compacting , and capping
- Top-soiling and vegetating
- Storm water control system
- Gas control system
- Fencing
- Decommissioning of infrastructure (only if information available)
- End-use related infrastructure (only of information available)

Post-closure monitoring and maintenance (incurred for a period of 30 years after closure of the landfill)

- Water monitoring
- Gas/air quality monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence and drainage
- Fire control and vegetation maintenance
- Ongoing leachate management
- Ongoing gas management.

Basic Unit Costs

These costs are based on actual costs of rehabilitation and closure operations and are reviewed annually to make provision for price increases.

Variables

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality include the following:

- Size of the area of the landfill that has already been and is currently being used
- Length of perimeter of the landfill
- Location of landfill in water-deficit or water-surplus area
- Availability of suitable capping material on-site or in the vicinity
- Availability of top-soiling and vegetating material on-site
- Requirement for a gas control system

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15. Provisions (continued)

Variables that relate to availability of information include the following:

- Availability and quality of technical reports, including End-Use Plan and Closure Design
- Occurrence of environmental impacts of landfill (confirmed by monitoring)
- Occurrence of gas/air quality problems experienced (confirmed by monitoring)
- Occurrence of significant leachate problems (confirmed by monitoring)

Variables that relate to management practices include the following:

- Whether the landfill is permitted or not
- Existence and functioning of monitoring committee for landfill, including stakeholders
- Quality of ongoing operation of landfill in respect of compacting and trimming of areas already used
- Whether available top-soiling material is actively managed to retain quality characteristics
- Existence and condition of fence
- The remaining lifespan of the landfill

Discount Rate Assumption

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate at 30 June 2023 was 11.05% p.a. The consumer price inflation of 7.23% p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves).

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

Assumption	30 June 2023	30 June 2022
Discount rate (D)	11.05%	9.94%
Consumer price inflation (C)	7.23%	6.03%
Net discount rate $((1+D)/(1+H)-1)$	3.56%	3.69%

Airspace and Footprint calculations of the sites

1. Calculating Available Airspace in m³

(i) In the case of a proposed landfilling operation where the availability of suitable cover material represents a limiting factor, the quantity of cover is used to determine the total available airspace.

Based on the fact that a well-run waste operation would require a volumetric ratio of cover material to waste of about 1:4, the total airspace is obtained by multiplying the volume of available cover material by a factor of 5. Alternatively, the total volume of waste that can be accommodated will be given by multiplying the available volume of cover material by a factor of 4. This represents a somewhat rudimentary approach, as the cover to waste ratio is approximate, the compaction density of the waste is estimated, and no allowance is made for the effect of 'bulking' or 'debulking' on the volume of potential cover material.

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15. Provisions (continued)

ii) In the case of an existing landfill, where the availability of cover material is not the determining factor, the total available airspace will be the volumetric difference between the existing surface and the final landform. Of this volume, 4/5 will be available for waste according to the assumptions made previously.

2. Calculating Annual Airspace Utilisation

Airspace utilisation is calculated from the IRD. The IRD, expressed in T/day, is multiplied by 260 days (based on a 5-day week) to determine the annual tonnage of waste. By dividing this figure by the average density of the waste (between 0,75 T/m³ to 1,20 T/m³ depending on waste type and compaction efficiency), the volume of waste to be deposited in the first year is determined. By multiplying this volume by 5/4, the total airspace utilisation for the first year is obtained. Airspace utilisation for subsequent years is obtained by escalating the IRD for each year.

3. Calculating Landfill Site Life

The landfill site life is arrived at by matching the available airspace volume for the landfill, arrived at in 1 above, with the cumulative airspace utilisation, in 2 above. The following assumptions were used.

Assumptions		
Type of waste	Domestic mostly	
Average density of the waste	0.75	T/m ³
Expected growth rate of waste generation	0.84%	1.01
Excavatable cover depth	2.50	metres
Cover to waste ratio	1 to 4	1.25

Tswaing Local Municipality

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15. Provisions (continued)

Long service provision

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively, once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
After 15 years service - 20 working days
After 20 years service - 30 working days
After 25 years service - 30 working days
After 30 years service - 30 working days
After 35 years service - 30 working days
After 40 years service - 30 working days
After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

Assumption	30 June 2023	30 June 2022
Discount rate	10.86%	10.60%
CPI	5.93%	7.22%
Salary increase rate	6.93%	8.22%
Net Discount Rate	3.68%	2.20%

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 6.32 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.86% per annum, and the yield on inflation-linked bonds of a similar term was about 4.65% per annum. This implies an underlying expectation of inflation of 5.93% per annum ($[1 + 10.86\%] / [1 + 4.65\%] - 1$).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.93% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.68% per annum ($[1 + 10.86\%] / [1 + 6.93\%] - 1$).

Demographic and Mortality assumptions

Assumption	30 June 2023	30 June 2022
Normal retirement age (years)	65	65
Mortality	SA85-90	SA85-90

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15. Provisions (continued)

Ill-health and other early retirement rates

Example at stated age	Ill-health early retirement rates
31	0.02%
35	0.10%
40	0.20%
45	0.30%
50	0.50%
55	1.00%
60	1.80%
62	2.32%

Withdrawal Table

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16.0%	24.0%
25	12.0%	18.0%
30	10.0%	15.0%
35	8.0%	10.0%
40	6.0%	6.0%
45	4.0%	4.0%
50	2.0%	2.0%
55	1.0%	1.0%
60+	-	-

Sensitivity Analysis

Salary Increase

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.68% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

The effect of a one percent increase and decrease in the salary inflation rates is as follows

	1% decrease R	Valuation basis R	1% increase R
Employer's accrued liability	6 196 788	6 566 528	6 968 868
Employer's current service cost	390 217	416 020	444 301
Employer's interest cost	649 141	689 295	732 989

As per the table above, a 1% increase in the salary increase rate results in a 6.13% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.63% decrease in the accrued liability.

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15. Provisions (continued)

Mortality

The table that follows shows the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two-year adjustment.

	30 June 2023 Valuation basis SA85-90 R's	SA85-90 -2 R's
Employer's accrued liability	6 566 528	6 617 393
Employer's current service cost	416 020	419 345
Employer's interest cost	689 295	694 819

SA85-90 -2(with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two-year adjustment to the mortality assumption as at 30 June 2023. The adjustment would result in a 0.77% increase in the accrued liability.

16. Revenue

Service charges	74 662 061	92 999 169
Rental of facilities and equipment	70 405	26 545
Licences and permits	3 841 305	2 649 641
Other income	794 132	290 667
Interest received - investment	281 631	197 148
Dividends received	19 840	27 320
Property rates	28 770 537	26 536 093
Government grants & subsidies	222 251 974	180 785 343
Fines	521 380	636 100
	331 213 265	304 148 026

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

Service charges	74 662 061	92 999 169
Rental of facilities and equipment	70 405	26 545
Licences and permits	3 841 305	2 649 641
Other income	794 132	290 667
Interest received - investment	281 631	197 148
Dividends received	19 840	27 320
	79 669 374	96 190 490

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	28 770 537	26 536 093
Transfer revenue		
Government grants & subsidies	222 251 974	180 785 343
Fines	521 380	636 100
	251 543 891	207 957 536

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Figures in Rand	2023	2022
17. Service charges		
Sale of electricity	45 536 062	62 034 640
Sale of water	3 842 948	6 340 820
Sewerage and sanitation charges	13 124 432	12 643 188
Refuse removal	12 158 619	11 980 521
	74 662 061	92 999 169
18. Other income		
Electricity reconnection fees	49 737	48 278
Valuation services	31 671	28 646
Cemetery fees	106 900	153 006
Planing and development clearance certificates	27 290	25 065
Building plan approval	3 503	31 993
Water connection	11 817	3 679
Debt forgiven by suppliers	563 214	-
	794 132	290 667
19. Investment revenue		
Dividend revenue		
Other financial asset	19 840	27 320
Interest revenue		
Bank	281 631	197 148
	301 471	224 468
20. Property rates		
Rates		
Residential	4 690 447	2 170 129
Commercial	4 073 776	4 073 457
State	13 478 616	13 859 621
Agricultural	6 159 932	6 065 120
Industrial	367 766	367 766
	28 770 537	26 536 093
Valuations		
Residential	1 136 920 795	1 136 920 795
Business	429 433 548	429 433 548
Industrial	39 007 916	39 007 916
Municipal	171 578 598	171 578 598
Government	489 948 405	489 948 405
Farms	3 226 515 647	3 226 515 647
	5 493 404 909	5 493 404 909

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. 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 2026.

Tswaing Local Municipality

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Notes to the Annual Financial Statements

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21. Government grants and subsidies		
Operating grants		
Equitable share	140 778 700	128 758 000
Financial management grant	3 100 000	3 100 000
EPWP	1 685 000	1 669 300
Ngaka Modiri Molema District Municipality	12 840 555	5 000 000
LG Seta	310 497	151 800
	158 714 752	138 679 100
Capital grants		
Municipal infrastructure grant (MIG)	43 010 000	26 163 038
Sanitation Grant	8 907 222	9 335 418
Intergrated National Electrification Programme (INEP)	4 120 000	2 553 887
Energy Efficiency and Demand Side Management Grant (EEDS)	7 500 000	4 053 900
	63 537 222	42 106 243
	222 251 974	180 785 343
Municipal infrastructure grant		
Balance unspent at beginning of year	-	3 400 038
Current-year receipts	43 010 000	22 763 000
Conditions met - transferred to revenue	(43 010 000)	(26 163 038)
	-	-
<p>The Municipal Infrastructure Grant is intended to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.</p>		
Financial management grant		
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-
<p>The Local Government Financial Management Grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.</p>		
Sanitation Grant		
Balance unspent at beginning of year	170 470	-
Current-year receipts	8 736 751	10 000 000
Conditions met - transferred to revenue	(8 907 221)	(9 829 530)
	-	170 470
<p>Conditions still to be met - remain liabilities (see note 14).</p> <p>The Sanitation Grant is intended to provide the municipality with finance for sewerage network in the communities.</p>		
LG Seta		
Current-year receipts	310 497	151 800
Conditions met - transferred to revenue	(310 497)	(151 800)
	-	-

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21. Government grants and subsidies (continued)

The LG Seta Grant is intended for learnerships within the Municipality..

EPWP

Balance unspent at beginning of year	230 700	-
Current-year receipts	1 685 000	1 900 000
Conditions met - transferred to revenue	(1 683 700)	(1 669 300)
Roll-over denied	(232 000)	-
	<u>-</u>	<u>230 700</u>

The Expanded Public Works Programme Intergrated Grant is intended to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roadsbasic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

INEP

Balance unspent at beginning of year	-	2 553 887
Current-year receipts	4 120 000	-
Conditions met - transferred to revenue	(4 120 000)	(2 553 887)
	<u>-</u>	<u>-</u>

The Integrated National Electrification Programme (Municipal) Grant is intended to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to increase access to electricity, existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

EEDSM

Balance unspent at beginning of year	-	53 900
Current-year receipts	7 500 000	4 000 000
Conditions met - transferred to revenue	(7 500 000)	(4 053 900)
	<u>-</u>	<u>-</u>

The Energy Efficiency and Demand-Side Management Grant is intended to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

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22. Employee related costs		
Basic	60 972 276	58 164 269
Bonus	4 302 289	4 954 310
Medical aid - company contributions	5 133 693	4 882 872
UIF	467 561	440 104
SDL	767 546	720 129
Post employment benefits	1 654 982	1 472 605
Group life Insurance	541 617	472 593
Travel, motor car and other allowances	4 283 031	2 629 857
Overtime payments	3 433 044	2 414 110
Long-service awards	455 700	523 731
Stress Relief	1 002 827	-
Acting allowances	1 932 415	691 392
Housing benefits and allowances	212 277	489 961
Leave expense	2 793 288	638 522
Telephone allowance	524 400	320 111
Stand-by allowance	578 515	457 761
Bargaining Council	25 295	24 532
Pension	10 951 254	9 990 542
	100 032 010	89 287 401

Remuneration of Acting Municipal Manager (Ms G. Mopolai)

Acting Allowance	178 523	-
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Ms G. Mopolai was appointed as the acting Municipal Manager on the 7th of December 2022 on a month to month basis until the 30th June 2023. The Municipal Manager Mr K. Mere was appointed on the 1st of July 2023 on a 5 year contract.

Remuneration of Municipal Manager (Mr R. Jonas)

Annual Remuneration	480 294	-
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Mr R. Jonas was appointed as the Municipal Manager on the 1st of July 2022 and resigned on the 30th of November 2022.

Remuneration of Municipal Manager (Mr M. Moruti)

Annual Remuneration	-	368 304
Housing Allowance	-	103 072
Car Allowance	-	171 796
Phone Allowance	-	9 600
Remote Allowance	-	27 408
Bonus	-	46 038
	-	726 218

Mr M. Moruti was suspended on the 2nd November 2021 pending an investigation and his contract was subsequently terminated on the 28th February 2022. Mr R Tshiamo was seconded from COGTA as the acting Municipal Manager from the 2nd of November 2021 to the 28th of February 2022. Mr L. Lobakeng, also from COGTA, was seconded as the acting Municipal Manager from the 1st of March 2022 to the 30th June 2022.

Remuneration of Acting Chief Finance Officer (Ms S. Pelele)

Acting Allowance	107 014	24 595
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Ms S. Pelele was appointed as the acting Chief Financial Officer on the 1st of April 2022 until the 30th of June 2022. She has been further appointed as the acting Chief Financial Officer on a month to month basis from the 1st of July 2022 to the 30th June 2023. Ms S. Pelele's acting secondment continues subsequent to year end.

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22. Employee related costs (continued)

Remuneration of Chief Finance Officer (Mr E. Mogoje)

Annual Remuneration	-	320 376
Housing Allowance	-	65 333
Car Allowance	-	126 495
Phone Allowance	-	8 000
Remote Allowance	-	22 503
Bonus	-	71 500
	<u>-</u>	<u>614 207</u>

Mr E. Mogoje was suspended on the 2nd November 2021 pending an investigation and his contract was subsequently terminated on the 28th February 2022.

Remuneration of Acting Technical Services Director (Mr G. Moleboge)

Acting Allowance	<u>29 223</u>	-
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Mr G. Moleboge was appointed as the acting Technical Services Director on a month to month basis from the 1st of February 2023 to the 30th June 2023. Mr G. Moleboge's acting secondment continues subsequent to year end.

Remuneration of Acting Technical Services Director (Ms G. Mopolai)

Acting Allowance	<u>46 183</u>	<u>50 504</u>
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Ms G. Mopolai was appointed as the acting Technical Services Director on a month to month basis from the 1st of April 2022 to the 30th of November 2022.

Remuneration of Acting Corporate Services Director (Mr B. Phutiyagae)

Acting Allowance	<u>57 779</u>	<u>10 751</u>
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Mr B. Phutiyagae was appointed as the acting Corporate Services Director on a month to month basis from the 1st of April 2022 to the 30th of June 2023. Mr B. Phutiyagae's acting secondment continues subsequent to year end.

Remuneration of Corporate Services Director (Ms V. Ndongeni)

Annual Remuneration	-	338 520
Housing Allowance	-	77 684
Car Allowance	-	88 000
Phone Allowance	-	8 000
Remote Allowance	-	22 503
Bonus	-	90 000
	<u>-</u>	<u>624 707</u>

Ms V. Ndongeni was suspended on the 2nd December 2021 pending an investigation and her contract was subsequently terminated on the 28th February 2022. Mr L. Lobakeng was seconded from COGTA as the acting Corporate Services Director from the 1st of December 2021 to the 28th of February 2022.

Remuneration of Acting Community Services Director (Mr M. Morwe)

Acting Allowance	<u>16 473</u>	-
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Mr M. Morwe was appointed as the acting Community Services Director on a month to month basis from the 1st of March 2023 to the 30th of June 2023. Mr M. Morwe's acting secondment continues subsequent to year end.

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22. Employee related costs (continued)

Remuneration of Acting Community Services Director (Mr S. Mokgetho)

Acting Allowance	12 355	-
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Mr S. Mokgetho was appointed as the acting Community Services Director on a month to month basis from the 1st of December 2022 to the 28th of February 2023.

Remuneration of Acting Community Services Director (Mr H. Kwenamore)

Acting Allowance	425 928	-
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Mr H. Kwenamore was seconded by COGTA to be the acting Community Services Director from the 7th of December 2021 to the 31st of May 2022. He was then subsequently appointed by the Municipality to be the acting Community Services Director from the 1st of June 2022 to the 31st of October 2022.

Remuneration of Acting Community Services Director (Ms O. Monaheng)

Acting Allowance	-	20 166
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Ms O. Monaheng was appointed as the acting Community Services Director from the 1st August 2021 to the 7th of December 2021.

23. Remuneration of councillors

Executive Mayor	945 523	875 030
Speaker	688 534	714 463
Chief Whip	694 748	209 156
Mayoral committee members	2 085 739	2 608 155
Councillors	7 268 413	6 447 128
	11 682 957	10 853 932

In-kind benefits

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

Councillors arrear consumer accounts are disclosed in the related party note, refer to note 38.

24. Depreciation and amortisation

Property, plant and equipment	26 480 298	30 087 733
Investment property	14 024	153 100
	26 494 322	30 240 833

25. Finance costs

Interest on fair value of employment benefits awards and & environmental Bank	6 012 825	5 426 529
	49 853	-
Interest on late payments	18 545 070	9 928 312
	24 607 748	15 354 841

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26. Debt impairment		
Receivables from exchange transactions	1 119 667	-
Receivables from non-exchange transactions	6 729 400	13 726 706
Trade and other receivables from exchange	3 548 406	8 117 155
	11 397 473	21 843 861
27. Bulk purchases		
Electricity - Eskom	50 323 035	51 046 788
Water	538 232	507 498
	50 861 267	51 554 286
28. Contracted services		
Outsourced Services		
Business and Advisory	2 410 870	2 675 848
Litter Picking and Street Cleaning	590 950	156 000
Security Services	9 651 387	9 538 486
Consultants and Professional Services		
Business and Advisory	14 930 866	6 912 322
Infrastructure and Planning	194 000	340 000
Legal Cost	5 268 624	6 654 129
	33 046 697	26 276 785
29. General expenses		
Advertising	184 111	590 481
Auditors remuneration	3 817 789	106 150
Bank charges	448 150	568 957
Commission paid	2 761 957	3 375 383
Computer expenses	555 619	244 118
Consumables	2 954 492	1 470 133
Hire	2 056 542	1 193 084
Insurance	3 647 600	1 868 679
Community development and training	5 331 430	3 152 620
Motor vehicle expenses	408 150	827 538
Fuel and oil	2 860 191	2 072 803
Environmental rehabilitation provision expense	2 288 594	3 846 731
Printing and stationery	666 316	771 764
Protective clothing	387 728	77 545
Repairs and maintenance	5 663 047	5 454 672
Sitting Allowance	125 000	163 300
Subscriptions and membership fees	1 244 932	1 185 585
Telephone and fax	3 061 889	3 179 229
Transport and freight	-	328 849
Training	39 740	24 100
Travel - local	5 235 769	3 132 888
Assets expensed	353 889	492 151
Catering Services	630 938	274 376
Electricity purchase: small amounts	9 284 459	6 985 473
	54 008 332	41 386 609
30. Fair value adjustments		
Other financial assets		
• Other financial assets (Held for trading)	(13 767)	(10 148)

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31. Actuarial Gains/Losses		
Post Employment Medical Aid Subsidy	15 111 052	4 796 432
Long Service Award	739 415	329 676
	15 850 467	5 126 108
32. Impairment of assets		
Impairments		
Property, plant and equipment	1 271 911	1 387 251
Reversal of impairments		
Property, plant and equipment	(6 484 843)	-
Total impairment losses (recognised) reversed	(5 212 932)	1 387 251
33. Auditors' remuneration		
Fees	3 817 789	106 150
34. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	962 504	969 661
Loss on sale of property, plant and equipment	3 445 485	2 887 403
Gain on sale of investment property	40 000	40 000
Impairment on property, plant and equipment	1 271 911	1 387 251
Reversal of impairment on property, plant and equipment	6 484 843	-
Gains on biological assets	(1 661 901)	85 600
Depreciation on property, plant and equipment	26 480 298	30 087 733
Depreciation on investment property	14 024	153 100
Employee costs	98 155 120	91 384 886
Councillors remuneration	11 682 957	10 850 037

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35. Cash generated from operations		
Surplus	29 115 481	14 258 370
Adjustments for:		
Depreciation and amortisation	26 494 322	30 240 833
Gain on biological assets	(1 661 901)	85 600
Actuarial gain/ loss	(15 850 467)	(5 126 108)
Loss on disposal	3 485 485	2 927 403
Environmental Rehabilitation	1 947 413	3 846 731
Fair value adjustments	13 767	10 148
Finance Costs	6 354 006	5 426 529
Long service provision	455 700	523 731
Post employment benefits	1 654 982	1 472 605
Impairment loss	(5 212 932)	1 387 251
Debt impairment	11 397 474	21 843 861
Bad debts written off	6 256 713	-
Movements in retirement benefit assets and liabilities	(739 274)	(812 780)
Movements in provisions	(509 150)	(1 298 788)
Inventory losses	135 242	392 066
Prior period error	-	(46 502 411)
Changes in working capital:		
Inventories	(353 983)	(74 820)
Receivables from exchange transactions	5 292 124	(1 102 501)
Receivables non exchange	(14 282 590)	(11 842 018)
Trade receivables from exchange transactions	(30 573 734)	(954 200)
Payables from exchange transactions	53 704 484	19 658 118
VAT	(11 443 497)	(7 593 920)
Unspent conditional grants and receipts	(401 170)	(5 606 655)
Consumer deposits	66 758	32 320
	65 345 253	21 191 365

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36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	4 759 341	7 646 624
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	7 341 868	3 266 754
Total capital commitments		
Already contracted for but not provided for	4 759 341	7 646 624
Not yet contracted for and authorised by accounting officer	7 341 868	3 266 754
	12 101 209	10 913 378
Authorised operational expenditure		
Already contracted for but not provided for		
• Financial Statements Preparation	6 890 065	2 478 654
• Security Services	-	1 712 605
	6 890 065	4 191 259
Total operational commitments		
Already contracted for but not provided for	6 890 065	4 191 259
Total commitments		
Total commitments		
Authorised capital expenditure	12 101 209	10 913 378
Authorised operational expenditure	6 890 065	4 191 259
	18 991 274	15 104 637

Tswaing Local Municipality

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37. Contingencies

Court Proceedings

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

The amounts disclosed below are possible outflows amounts based on the lawyers:

Litigation and claims

MRL Incorporated - Company is suing the Municipality for a cancelled contract in the 17/18 financial year	400 000	300 000
Lesedi Civil Consulting//Tswaing Local Municipality (67/2019 & 16/2020)	-	120 000
Tswaing Local Municipality// H Breytenbach (2840/2019)	600 000	600 000
Business Chamber of Tswaing//Tswaing Local Municipality (53751/2020)	200 000	200 000
Mogale Daniel Morwe & Ano//Tswaing Local Municipality(NW/ATM/RC57/2021)	-	40 000
Tshidiso Ramphele// Tswaing Local Municipality(M195/2015)	500 000	800 000
Tswaing Local Municipality // B T Radingwana	500 000	-
	2 200 000	2 060 000

Landfill Sites

Atamelang Quarry Site/Borrow Pit	4 239 744	4 023 510
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ADDITIONAL INFORMATION

MRL Incorporated// Tswaing Local Municipality(1896/2018):

Claim for services rendered by service provider following the appointment by the Municipality(but according to the Municipality the appointment was not lawful), the matter is defended and is pending is awaiting date of allocation of the trial date. (Claim Amount R1 540 000.00)

Lesedi Civil Consulting//Tswaing Local Municipality (67/2019 & 16/2020):

Contractual claim for the unpaid invoices, the matter is pending, claim was partly paid. (Claim Amount R693 630.15)

Tswaing Local Municipality// H Breytenbach (2840/2019):

Claim for eviction and arrear rental of R53 221,97 by and counterclaim against the Municipality of R 1 141 576.07 for unpaid salaries, expenses and or claims of the employee, the matter is pending.(Claim Amount R1 141 576.07)

Business Chamber of Tswaing//Tswaing Local Municipality (53751/2020):

Application for review the decision of or against Eskom, the matter is pending and Applicant's Attorneys have since went quiet on the matter. (Claim Amount N/A)

Mogale Daniel Morwe & Ano//Tswaing Local Municipality(NW/ATM/RC57/2021):

Claim for unpaid pension money for two former employees, the matter is partly settled and pending.(Claim Amount R316 781.26)

Tshidiso Ramphele// Tswaing Local Municipality(M195/2015):

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37. Contingencies (continued)

Claim for future loss of income, the Municipality has already paid Mr Tshidiso Ramphele about R2.9 Million towards capital and costs, emanating from the settlement discussions between the parties, but Mr Tshidiso Ramphele dispute the existence of the settlement agreement between the Municipality and him, and issued the writ of execution in the amount of R 4 450 499.00 despite the fact that the Municipality has already oaid the 2.9 Million rand, the Municipality on the other hand issued an application to set aside the writ of execution, the application was argued on the 25th May 2023 and we are waiting judgement on the matter. (Claim Amount R4 450 499.00).

Atamelang Quarry Site/Borrow Pit:

Borrow Pit is not licensed and was decommissed in 2011 when the new Atamelang landfill site was licensed. Calculation provided for possible future costs of rehabilitation of the site.

ADDITIONAL MATTERS

Tswaing Local Municipality // Puleng Kwenamore:

Disciplinary hearing of Puleng Kwenamore. The hearing commenced in June 2023 and is continuing and will be Proceeded again on 21 July 2023.

Tswaing Local Municipality // Masibi & Moet:

Disciplinary Hearing of Masibi and Moeti and Con/Arb Matter. Matter currently at Bargaining Council.

Tswaing Local Municipality // B T Radingwana (NWD 052303)

Refferal For unfair labour practice of the Barganing Council. Matter still pending

Contingent assets

Litigation and claims

Tswaing Local Municipality// Dintoko D Masibi & Saddam B Moeti	150 000	-
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ADDITIONAL INFORMATION

Tswaing Local Municipality // Dintoko D Masibi & Saddam B Moeti:

Claim is lodged by Municipality against its employees for the money paid to the service provider for services allegedly not rendered by the service provider (Claim amount-R 274 110,22)

Tswaing Local Municipality

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38. Related parties

Relationships

Members of key management

Accounting Officer

Accounting Officer

Acting Chief Finance Officer

Acting Corporate Services Director

Acting Technical Services Director

Acting Community Services Director

Mayor

Speaker

Chief Whip

Executive Members

MPAC Chairperson

Councillors

Name

Mr K.S.D. Mere (Appointed: 01 July 2023)

Ms G. Molopolia (Acting Municipal Manager -
Resigned: 30 June 2023)

Ms S. Pelele

Mr B. Phuthiyagae

Mr G. Molebogeng

Mr M. Morwe

Hon Cllr N.N. Mahlangu

Hon Cllr M.S. Letlakane

Cllr N.J. Molehabangwe

Cllr S. Viljoen

Cllr M.A. Molamuagae

Cllr J.P. Molatudi

Cllr T.P. Januarie

Cllr M.V. Mogodu

Cllr M.M. Moreo

Cllr N.W. Thwane

Cllr R.L. Tlhagale

Cllr T.J. Sekgelo

Cllr N.P. Moleboge

Cllr G.D. Gaedie

Cllr S.J. Kgatitswe

Cllr S.K. Moleleki

Cllr S.M. Williams

Cllr T.M. Sehero

Cllr P.M. Mokoto

Cllr F. Lobelo

Cllr M.E. Moete

Cllr L.Y. Taaljardt

Cllr J.K. Mangwejane

Cllr M.A. Callghan

Cllr M.M. Moruapheko

Cllr K.P. Mathibe

Cllr N.R. Baitsumedi

Cllr E. Pretorius

The above key management's salaries are disclosed in note 22 and 23.

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39. Risk management

Financial risk management

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

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

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

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. Risk management is carried out by the budget and treasury department under policies approved by accounting officer. Municipality budget and treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. 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.

Tswaing Local Municipality

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39. Risk management (continued)

Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are re-invested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

As at 30 June 2023	Less than 1 year	Above 1 year
Payables from exchange transactions	338 818 135	-
Consumer deposits	1 389 369	-
Employee obligations	468 527	21 379 000
Unspent conditional grants	-	-

As at 30 June 2022	Less than 1 year	Above 1 year
Payables from exchange transactions	285 113 649	-
Consumer deposits	1 322 611	-
Employee obligations	791 761	31 159 681
Unspent conditional grants	401 170	-

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39. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Possible risk will arise from customers not being able to pay their outstanding debt. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. A consideration of individual customer circumstances must be made as services do still need to be provided to customers, while ensuring payments are made.

The municipality does not hold any collateral to mitigate against credit risk..

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

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

Financial instrument

Receivables from exchange transactions	8 045 226	13 187 820
Receivables from non-exchange transactions	18 972 253	11 419 062
Trade and other receivables from exchange	50 580 765	30 344 413
VAT Receivable	30 510 662	18 534 904
Bank balances and cash	494 820	1 076 882
	108 603 726	74 563 081

Trade Receivables from exchange transactions, Receivables from exchange transactions and Receivables from non-exchange transactions

Receivables are amounts owing by consumers, and are presented on the Statement of Financial Position net of impairment losses.

The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.

There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year in review. The municipality's strategy for managing its risk includes encouraging residents to install prepaid electricity meters. A deposit is required for new service connections.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The municipality has no significant concentration of credit risk, with exposure spread over multiple consumers and not concentrated in any particular sector or geographic area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice. No interest is raised on overdue accounts. The Entity has provided fully for all receivables outstanding over determined by reference to past default experience.

Market risk

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39. Risk management (continued)

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

The municipality is exposed to market risk in relation to the listed shares it holds. These shares are valued at their market price at each year end.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Fair Values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

2023

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	504 019	-	-	-	504 019

2022

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	517 786	-	-	-	517 786

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.

Interest on late payments	18 545 070	9 928 312
Bank overdraft	49 853	-
	18 594 923	9 928 312

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit..

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40. Material uncertainty relating 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.

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

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account. Debtors are currently not paying as their debt falls due with most of the debtors sitting in the 180+ days bracket. There was an outbreak of COVID-19 during 2020 and 2021 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared various lockdown measures which will continue to have impact on municipality cash flow. Further more electricity load shedding has affected businesses and other clients of the municipality. These factors indicate the existence of material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern.

Despite all the factors mentioned, the municipality still continues to supply services to the community and clients. The municipality is set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

The municipality receives grants and equitable share from National Treasury on an annual basis and this in addition to own revenue collected by the municipality is generally sufficient to ensure the municipality is able to continue as a going concern.

Taking into account all the factors, these financial statements were prepared on a going concern basis.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	91 794 759	71 550 896
Opening balance as restated	91 794 759	71 550 896
Add: Expenditure identified - current	20 078 644	11 062 627
Add: Expenditure identified - prior period	-	9 181 236
Closing balance	111 873 403	91 794 759

Amounts written off relate to interest that was written off by the supplier.

42. Irregular expenditure

Opening balance as previously reported	731 979 424	522 700 136
Opening balance as restated	731 979 424	522 700 136
Add: Irregular Expenditure - current	126 838 836	53 336 129
Add: Irregular Expenditure - prior period	-	155 943 159
Closing balance	858 818 260	731 979 424

43. Material losses

The municipality incurred losses in distribution of electricity amounting to 2023: R 17 743 194 (2022: R 2 190 610). The distribution losses incurred for the distribution of water could not be ascertained as the municipality does not buy water as they use natural water from boreholes. Therefore it is impractical to measure natural water source from the reservoirs.

44. Budget differences

Material differences between budget and actual amounts

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44. Budget differences (continued)

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements, the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations :

N1 - Loadshedding effected the billings for the electricity revenue.

N2 - This line item was erroneously not budgeted for.

N3 - Increased productivity seen in the traffic department as normalcy returns after long effects of COVID-19.

N4 - Penalties forgiven by SARS resulted in increase in the other income.

N5 - Additional funding received in the current year for capital grants and ring fencing of grants was implemented which led to increased interest of the deposited amounts.

N6 - Incorrect budgeting of this line item.

N7 - Additional capital grants were received in the current year from COGTA and Energy departments.

N8 - This line item was erroneously not budgeted for.

N9 - Due to budget constraints the non - cash items were not budgeted for (PEMA & LSA), additionally, stress relief was paid in terms with a settlement agreement with employees which was not budgeted for.

N10 - Incorrect budgeting of this line item.

N11 - Incorrect budgeting of this line item.

N12 - Reversal of impairments was not anticipated, thus not budgeted for.

N13 - Due to budget constraints the non - cash items were not budgeted for (PEMA, LSA & Landfill Site). Additional, due to cashflow constraints suppliers could not be paid on time which lead to an increase to the interest charged on outstanding amounts.

N14 - This line item was erroneously not budgeted for.

N15 - Budgeting was distorted due to the errors in the year amounts. These have been corrected and budget will be reflective of more realistic projections.

N16 - This line item was erroneously not budgeted for.

N17 - This line item was erroneously not budgeted for.

N18 - This amount was reduced to loadshedding.

N19 - Due to budget constraints, this amount was underbudgeted for.

N20 - This line item was erroneously not budgeted for.

N21 - Due to budget constraints, this amount was underbudgeted for.

N22 - Due to budget constraints the non - cash items were not budgeted for.

N23 - Due to budget constraints the non - cash items were not budgeted for.

N24 - Due to budget constraints the non - cash items were not budgeted for. There was no expectation that this amount would result in a non - cash income.

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44. Budget differences (continued)

N25 - Due to budget constraints the non - cash items were not budgeted for. There was no expectation that this amount would result in a non - cash income.

N26 - Due to budget constraints the non - cash items were not budgeted for.

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45. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The Post Employment Health Care Benefit Plan is a defined benefit plan.

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

Net Discount Rate

Assumption	30 June 2023	30 June 2022
Discount rate (D)	14.17%	13.13%
Consumer price inflation (C)	8.62%	8.63%
Health care cost inflation (H)	10.12%	10.73%
Net discount rate $((1+D)/(1+H)-1)$	3.68%	3.19%

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 15.80 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 14.17% per annum, and the yield on the inflation linked bonds of a similar term was about 5.11% per annum, implying an underlying expectation of inflation of 8.63% per annum $([1 + 14.17\%] / [1 + 5.11\%] - 1)$.

A healthcare cost inflation rate of 10.12% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.68% per annum $([1 + 14.17\%] / [1 + 10.12\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

Demographic And Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	Pensioners
Normal retirement age	63	
Fully accrued age (to take account for ill-health and early retirement decrements)	60	
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	3 years	3 years
Proportion married	Actual marital status	Actual marital status
Mortality	SA85-90 (Normal)	PA (90) - 2

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45. Employee benefit obligations (continued)

Withdrawal Dates

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	24.0%	16.0%
30	15.0%	10.0%
40	6.0%	6.0%
50	2.0%	2.0%
>55		

Continuation Percentages

We have assumed continuation of the post-employment health care subsidy would be at 90% of active employees, or their surviving dependants.

SENSITIVITY ANALYSIS

Medical Inflation Rate

The effect of a 1% decrease or increase in the medical inflation rate is as follows:

	1% decrease R's	30 June 2023 Valuation Basis R's	1% Increase R's
Employer's accrued liability	18 846 842	21 847 526	25 538 851
Service Cost	827 083	1 003 666	1 226 386
Interest Cost	2 624 937	3 062 599	3 585 414

As per the table above, a 1% increase in the medical inflation rate results in a 16.90% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 13.73% decrease in the accrued liability.

Mortality

	30 June 2023 Valuation basis SA85-90 R's	PA(90) -3 R's
Employer's accrued liability	21 847 526	22 443 050
Service cost	1 003 666	1 025 827
Interest cost	3 062 599	3 134 200

PA(90) -3(with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a one-year adjustment to the mortality assumption as at 30 June 2023. The adjustment would result in a 2.73% increase in the accrued liability.

Tswaing Local Municipality

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Figures in Rand	2023	2022
45. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening Balance	(31 951 442)	(32 284 166)
Current Service Cost	(1 654 982)	(1 472 605)
Current Interest Cost	(4 091 428)	(3 803 883)
Actuarial Gain/(Loss)	15 111 051	4 796 432
Utilised During the Current Year	739 274	812 780
	(21 847 527)	(31 951 442)
Non-current liabilities	(21 379 000)	(31 159 681)
Current liabilities	(468 527)	(791 761)
	(21 847 527)	(31 951 442)
Net expense recognised in the statement of financial performance		
Current service cost	(1 654 982)	(1 472 605)
Interest cost	(4 091 428)	(3 803 883)
Actuarial (gains) losses	15 111 051	4 796 432
	9 364 641	(480 056)
46. Unauthorised expenditure		
Opening balance as previously reported	695 790 654	619 989 598
Opening balance as restated	695 790 654	619 989 598
Add: Expenditure identified - current	86 069 059	-
Add: Expenditure identified - prior period	-	75 801 056
Less: Approved/condoned/authorised by council	(344 693 000)	-
Closing balance	437 166 713	695 790 654
47. Fines and penalties		
Penalties	1 733 972	1 589 588
Breach of Contract	-	78 361
	1 733 972	1 667 949
48. Loss due to undeposited receipts		
Municipal Losses	100 180	781 033

Loss due to undeposited receipts relates to amounts not deposited to the Municipality's bank account and the bank account of the Department of Transport, Admin and Licencing in relation to revenue from the traffic department which the Municipality administered on behalf of the department and there is a relationship of distributing the revenue between the Municipality and Department 20/80.

49. Prior period errors

Tswaing Local Municipality

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49. Prior period errors (continued)

1. Receivables from exchange transactions were overstated by R 636 100 and Trade receivables from non - exchange transactions were understated by R 636 100 as a result of Fines debtors being incorrectly classified as debtors from exchange transactions instead of debtors from non - exchange transactions.
2. Receivables from exchange transactions were overstated by R 2 355 617 and Unspent conditional grants were overstated by R 2 355 617 as a result of a debtor that was incorrectly accounted for in relation to the water relief grant.
3. Receivables from exchange transactions were overstated by R 82 126 and Revenue from exchange transactions (Licences and permits) was overstated by R 82 126 as a result of a debtor that was not cleared in the 2022 year end. The debtor was raised in the 2021 year end to account for revenue from licensing that was accrued for in the 2021 year end, but the cashflow was banked in the 2022 year end.
4. Receivables from exchange transactions were overstated by R 560 and Other payables were overstated by R 560 as a result of a debtor that was incorrectly accounted for in relation to a payment made to a supplier.
5. Receivables from exchange transactions were overstated by R 418 903 and Other Payables were overstated by R 418 903 as a result of refunds paid to employees for pension fund deductions not paid over to the relevant pension fund being incorrectly accounted for in the pension debtor general ledger account.
6. Receivables from exchange transactions were overstated by R 418 903 and Contracted services (legal fees) were understated by R 418 903 as a result of a duplication of journal to correct a misallocation of pension fund refunds in the legal fees ledger account.
7. Receivables from exchange transactions were overstated by R 6 455 and Consumer deposits were overstated by R 6 455 as a result of the ledger vote for hall deposit refunds being incorrectly allocated to Employee debtors.
8. Receivables from exchange transactions were overstated by R 2 043 269 and Other payables were overstated by R 2 043 269 as a result of payments for pension funds that were misallocated to the pension debtor general ledger account.
9. Receivables from exchange transactions were understated by R 7 609 and Other payables were understated by R 7 609 as a result of misclassification of debtors with credit balance of Rental debtor.
10. Receivables from exchange transactions were overstated by R 15 246 and Other payables were understated by R 15 246 as a result of misallocations on employee debtors deductions.
11. Trade receivables from non - exchange transactions were overstated by R 50 843 490, Trade receivables were overstated by R 143 079 049, VAT Receivable was overstated by R 1 217 573 and debt impairment provision was understated by R 192 704 965 as a result of the miscalculations in the prior year calculation for debt impairment provision.
12. VAT Receivable was overstated by R 12 330 653 and Other payables were overstated by R 12 330 653 as a result of payments made towards SARS(PAYE) being allocated to the SARS(VAT) general ledger account.
13. VAT Receivable was understated by R 81 150, Trade Payables were understated by R 852 132, Contracted services (Legal fees) were understated by R 13 674, Finance costs were understated by R 82 009 and Accumulated surplus was overstated by R 675 298 as a result of invoices that were incurred in prior year ends but not accounted for.
14. VAT Receivable was understated by R 4 346, Trade Payables were understated by R 33 914, Finance costs were understated by R 592 and General expenditure (telephone and fax) was understated by R 28 975 as a result of Telkom invoices that were incurred in the 2022 year end but not accounted for.
15. VAT Receivable was understated by R 155 729, Trade Payables were understated by R 1 193 924, Accumulated surplus was overstated by R 253 219 and Contracted services (security) were understated by R 784 977 as a result of invoices for the 2022 and 2021 year ends that were incurred but not accounted for.
16. VAT Receivable was understated by R 30 163, Trade Payables were understated by R 231 251 and General expenditure (Asset expense) was understated by R 201 088 as a result of an invoice for standing time that was incurred in the 2022 year end but not accounted for.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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49. Prior period errors (continued)

17. VAT Receivable was understated by R 4 876, Trade Payables were understated by R 37 382 and Contracted services (Legal fees) was understated by R 32 506 as a result of an invoice that was incurred in the 2022 year end but not accounted for.

18. VAT Receivable was understated by R 369 029, Trade Payables were understated by R 4 465 444, Accumulated surplus was overstated by R 3 873 673 and finance costs were understated by R 222 742 as a result of multi invoices and interest that was incurred in the 2022 year end and prior year ends but not accounted for.

19. VAT Receivable was overstated by R 31 834, Trade Payables were overstated by R 244 063 and Property, plant and equipment (WIP) was overstated by R 212 229 as a result of an accrual of an invoice incorrectly accounted for.

20. VAT Receivable was overstated by R 61 301, Trade Payables were overstated by R 469 973 and Property, plant and equipment (WIP) was overstated by R 408 672 as a result of an accrual of an invoice incorrectly accounted for.

21. VAT Receivable was overstated by R 12 731, Trade Payables were overstated by R 97 608 and Property, plant and equipment (WIP) was overstated by R 84 876 as a result of an accrual of an invoice incorrectly accounted for.

22. VAT Receivable was overstated by R 61 875, Trade Payables were overstated by R 474 372 and Property, plant and equipment (WIP) was overstated by R 412 497 as a result of an accrual of an invoice incorrectly accounted for.

23. VAT Receivable was overstated by R 32 747, Trade Payables were overstated by R 251 062 and Property, plant and equipment (WIP) was overstated by R 218 315 as a result of an accrual of an invoice incorrectly accounted for.

24. VAT Receivable was overstated by R 20, Trade Payables were overstated by R 152 and General expenditure (Bank charges) was overstated by R 132 as a result of an incorrect accrual of bank charges on the Municipality petrol card.

25. VAT Receivable was understated by R 803 074, Trade Payables were understated by R 6 156 904 and Accumulated surplus was overstated by R 5 353 830 as a result of invoices not accounted for in previous year ends.

26. VAT Receivable was overstated by R 711 702, Property, plant and equipment (WIP) was overstated by R 4 744 681 and Revenue from non - exchange transactions (Government grants) was overstated by R 5 456 383 as a result of capitalisation of a grant received from COGTA for water relief that should have been accounted for as a principle and agent agreement.

27. VAT Receivable was overstated by R 5 977 550, Property, plant and equipment (WIP) was overstated by R 39 850 334 and Accumulated Surplus was overstated by R 45 827 884 as a result of capitalisation of a grant received from COGTA for water relief that should have been accounted for as a principle and agent agreement.

28. VAT Receivable was understated by R 16 497, Property, plant and equipment (WIP) was understated by R 109 980 and Trade payables were understated by R 126 477 as a result of an invoice that was not accrued for in the 2022 year end.

29. VAT Receivable was understated by R 32 962, Trade Payables were understated by R 252 711 and General expenditure (Telephone and fax) was understated by R 219 749 as a result of invoices not accounted for in the 2022 year end.

30. VAT Receivable was overstated by R 3 808 163 and Other payables were overstated by R 3 808 163 as a result of a net off done by SARS of the SARS(VAT) refund for period 202107 against the SARS(PAYE) that was not accounted for in the general ledger.

31. VAT Receivable was overstated by R 820 758 and Other payables were overstated by R 820 758 as a result of VAT refunds that were incorrectly allocated to Other payables.

32. VAT Receivable was understated by R 252 788, Other payables were understated by R 1 938 042 and WIP was understated by R 1 685 254 as a result of a transaction related to WIP incorrectly allocated to Other payables.

33. Cash and cash equivalents (cash on hand) were overstated by R 3 400 and Accumulated surplus was overstated by R 3400 as a result of petty cash transactions that was missallocated from the 2021 year end.

34. General expenditure was overstated by R 27 95 895 and Property, plant and equipment (WIP) was understated by R 27 795 895 as a result of transfer of completed water projects related to the grant received from COGTA for water relief that should have been accounted for as a principle and agent agreement.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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49. Prior period errors (continued)

35. Retentions were overstated by R 23 581 and Property, plant and equipment (WIP) was overstated by R 23 581 as a result of an accrual of an invoice incorrectly accounted for.
36. Retentions were overstated by R 33 424 and Property, plant and equipment (WIP) was overstated by R 33 424 as a result of an accrual of an invoice incorrectly accounted for.
37. Retentions were overstated by R 11 490 and Property, plant and equipment (WIP) was overstated by R 11 490 as a result of an accrual of an invoice incorrectly accounted for.
38. Accumulated Depreciation (Property, plant and equipment) was understated by R 16 169 and depreciation was understated by R 16 169 as a result of depreciation on road infrastructure (R 16 008) and stormwater infrastructure (R 161) that was not accounted for as a result of an invoice that was not included in the unbundling of capitalised assets in the 2022 year end.
39. Property, plant and equipment (Motor vehicles) was overstated by R 72 000 (Cost: R 900 000 and Accumulated depreciation: R 828 000) and loss on disposal of assets was understated by R 72 000 as a result of a disposal that was not accounted for in the 2022 year end.
40. Property, plant and equipment (Road Infrastructure) was understated by 8 916 and loss on disposal of assets was understated by R 8 916 as a result of road infrastructure that was derecognised at the incorrect amount for accumulated depreciation as a result of incorrect depreciation calculated on the derecognised asset due to residual value errors within the fixed asset register.
41. Property, plant and equipment (Road Infrastructure) was overstated by 158 142 and depreciation was overstated by R 158 142 as a result of corrections to errors in depreciation calculation errors for the 2022 year end.
42. Property, plant and equipment was understated by R 612 006 (Road infrastructure: R 506 844 and Community assets infrastructure: R 105 162), depreciation was overstated by R 204 083 and Accumulated surplus was understated by R 407 923 as a result of depreciation incorrectly calculated due to errors with residual values on the FAR.
43. Property, plant and equipment was understated by R 60 240 (Road infrastructure) and Accumulated surplus was overstated by R 60 240 as a result of errors in depreciation for years prior to and including 2021 year end.
44. Property, plant and equipment was understated by R 2 691 531 (Road infrastructure: R 2 736 260, Buildings: -R3 411, Community assets infrastructure: -R37 988 and Electricity network infrastructure: -R3 330) and Impairment loss was overstated by R 2 691 531 as a result of Depreciated Replacement Cost
45. WIP was understated by R 187 250 and Retentions were understated by R 187 250 as a result of retention not accounted for in the 2022 year end.
46. Property, plant and equipment was understated by R 4 738 and depreciation was overstated by R 4 738 as result of an asset that was incorrectly capitalised and subsequently depreciated in the 2022 year end.
47. Property, plant and equipment (Land) was understated by R 798 625 and Accumulated surplus was overstated by R 798 625 as a result of land owned by the Municipality not being recognised in the Fixed Asset Register of the Municipality.
48. Property, plant and equipment was overstated by R 6 713 (Land: R 485, Community Assets: R 6 151 and Buildings: R 78), Accumulated surplus assets was overstated by R 8 978 and depreciation was overstated by R 2 264 (Buildings: R9 and Community Assets: R 2 255) as a result of assets misallocated in the prior years.
49. Within Property, plant and equipment, WIP transfer to Infrastructure was overstated by R 429 662 and transfers in to Community infrastructure assets was overstated by R 429 662 as a result of incorrect capitalisation of WIP.
50. Within Property, plant and equipment, WIP transfer to Infrastructure was understated by R 109 980 and transfers in to Road infrastructure assets was understated by R 107 296 and transfers into Stormwater infrastructure assets was understated by R 2 684 as a result of an invoice not included in the costs of capitalisation of WIP.
51. Unallocated deposits were understated by R 1 188 000 and Unspent conditional grants were overstated by R 1 188 000 as a result of a misallocated transaction related to the COGTA Water relief grant.

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49. Prior period errors (continued)

52. Trade payables were understated by R 233 366 and finance costs were understated by R 233 366 as a result of interest incurred in the 2022 year end and not accounted for.
53. Trade payables were understated by R 290 887 and finance costs were understated by R 290 887 as a result of interest incurred on the balance outstanding on the Eskom bulk account for December 2021 that was not accounted for.
54. Trade payables were understated by R 20 700 and General expenditure (Travel) was understated by R 20 700 as a result of an invoice incurred in the 2022 year end and not accounted.
55. Trade payables were understated by R 78 361 and Fines were understated by R 78 361 as a result of a transaction incurred in the 2022 year end and not accounted.
56. Trade payables were understated by R 68 862 and Accumulated surplus was overstated by R 68 862 as a result of a transaction incurred in the prior year ends and not accounted.
57. Trade payables were understated by R 788 535 and finance costs were understated by R 788 535 as a result of interest incurred in the 2022 year end and not accounted for.
58. Trade payables were understated by R 76 000 and General expenditure (Hire) was understated by R 76 000 as a result of expenditure incurred in the 2022 year end and not accounted for.
59. Other payables were understated by R 775 078 and Fines & penalties were overstated by R 775 078 as a result of incorrect accounting for the penalties from SARS (PAYE).
60. Other payables were overstated by R 5 452 and finance costs were overstated by R 5 454 as a result of incorrect accounting for interest charged by SARS(PAYE).
61. Other payables were understated by R 564 and finance costs were understated by R 564 as a result of interest incurred in the 2022 year end and not accounted for.
62. Other payables were overstated by R 5 580 and Consumer deposits were understated by R 5 580 as a result of the ledger vote for hall deposit refunds being incorrectly allocated to Other payables.
63. Other payables were understated by R 166 862, Accumulated surplus was overstated by R 64 091 and Finance costs were understated by R 102 771 as a result of interest incurred for the 2022 year end and prior not accounted for.
64. Other payables were understated by R 233 793 and employee costs were understated by R 233 793 as a result of back pay accrued in the 2022 year end but only paid in the 2023 year end.
65. Trade payables were understated by R 1 173 000 and Accumulated surplus was overstated by R 1 173 000 as a result of expenditure incurred in the 2021 year end and not accounted for.
66. Accrued leave pay was understated by R 3 577 and employee costs (leave expense) was understated by R 3 577 as a result of leave days understated by 2 days on the prior year calculation for one employee.
67. The current portion of the post employment medical aid benefit was not disclosed in the prior year, this resulted in an understatement of the Employee benefit obligation as disclosed in current liabilities by R 791 761 and overstatement of Employee benefit obligation as disclosed in non - current liabilities by R 791 761.
68. Employee benefit obligation (Non - current) was overstated by R 2 039 593 and Accumulated surplus was understated by R 2 039 593 as a result of actuarial valuation adjustments made to the 2021 PEMA report not accounted for in the 2022 year end.
69. Employee benefit obligation (Non - current) was overstated by R 198 619 and Actuarial gains were understated by R 198 619 as a result of the initial accounting for the PEMA reported being understated in the 2022 year end.
70. The current portion of the Provisions was not disclosed in the prior year, this resulted in an understatement of the Provisions as disclosed in current liabilities by R 1 703 020 and overstatement of Provisions as disclosed in non - current liabilities by R 1 703 020.

Tswaing Local Municipality

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49. Prior period errors (continued)

71. Provisions were overstated by R 4 023 510, Acc surplus was understated by R 3 748 434, General expenditure (Environmental rehabilitation provision expense) was overstated by R 136 759, finance costs were overstated by R 138 317 and contingent liabilities were understated by R 4 023 510 as a result of accounting for a provision for rehabilitation of land on the Atamelang borrow pit while the Municipality does not have landfill site license for the area. The Municipality will be disclosing the possible rehabilitation costs as a contingent liability until such a time as the area is licensed.

72. Government grants and subsidies (Revenue from non - exchange transactions) were understated by R 5 000 000 and Donations (Revenue from non - exchange transactions) were overstated by R 5 000 000 as a result of the incorrect classification of an unconditional grant received from Ngaka Modiri Molema District Municipality as a donation.

73. Government grants and subsidies (Revenue from non - exchange transactions) were understated by R 6 011 616 and Donations (Revenue from non - exchange transactions) were overstated by R 6 011 616 as a result of the incorrect classification of conditions met on the sanitation relief grant as a donation.

74. Unspent conditional grants were overstated by R 3 817 914, Accumulated surplus was understated by R 494 112 and Government grants and subsidies (Revenue from non - exchange transactions) was understated by R 3 323 802 as a result of conditions met on the Sanitation grant from COGTA not being properly recognised.

75. Employee related costs were overstated by R 2 331 278 and Finance costs were understated by R 2 331 278 as result of the incorrect journaling of the valuation report for the post employment medical aid benefit. Per the report, the current service cost was R 1 472 605 and the interest cost was R 3 803 883, however the journal done was processed to recognise the current service cost as R 3 803 883 and the interest cost as R 1 472 605.

76. Contracted Services were understated by R 6 685 046 and General expenses were overstated by R 6 685 046 (Consulting and professional fees) as a result of the incorrect classification of expenditure as general expenditure instead of being classified as contracted services.

77. Net cash flows from operating activities were understated by R 824 828, Net cash flows from investing activities were understated by R 828 225 and Net increase/(decrease) in cash and cash equivalents was overstated by R 3 400 as result of errors in the calculations for cashflows and the cumulative effect of adjustments made to the prior years.

78. Commitments: Authorised capital expenditure was overstated by R 450 217 and Authorised operational expenditure was overstated by R 1 038 195 as a result of calculation errors in the 2022 year end register.

79. Contingencies: Litigation and claims were overstated by R 7 335 950 as a result of litigations incorrectly disclosed in the 2022 year end.

80. Fruitless and wasteful expenditure was understated by R 3 155 370 (Opening Balance: R 1 104 693, 2022 Movement: R 2 050 677) as result of incorrectly disclosed amounts on the register and the annual financial statements.

81. Irregular expenditure was understated by R 147 077 530 as result of incorrectly disclosed amounts on the register and the annual financial statements and irregular expenditure incurred by the Municipality and not previously disclosed.

82. Unauthorised expenditure was understated by R 75 801 056 as a result of the unauthorised expenditure not disclosed in the 2022 year end.

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

Tswaing Local Municipality

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Notes to the Annual Financial Statements

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49. Prior period errors (continued)			
Statement of financial position			
Receivables from exchange transactions		(5 969 570)	
Trade receivables from non-exchange		(50 207 390)	
Trade receivables from exchange transactions		(143 079 049)	
VAT Receivable		(20 881 146)	
Cash and cash equivalents		(3 400)	
Property, plant and equipment		(12 316 517)	
Payables from exchange transactions		(473 688)	
Unspent conditional grants and receipts		(7 361 531)	
Consumer deposits		(875)	
Employee benefit obligation (Current Liabilities)		791 761	
Employee benefit obligation (Non - current liabilities)		(3 029 973)	
Provisions (Current liabilities)		1 703 020	
Provisions (Non - current liabilities)		(5 726 530)	
Accumulated surplus		(218 359 256)	
Statement of financial performance			
Licences and permits		(82 125)	
Government grants & subsidies		8 879 035	
Donations		(11 011 616)	
Employee related costs		2 093 908	
Depreciation and amortisation		36 773	
Finance costs		(3 908 974)	
Debt Impairment		(192 704 966)	
Contracted services		(7 935 106)	
Fines & penalties		(853 438)	
General Expenses		34 071 321	
(Loss)/Gain on disposal of assets and liabilities		(80 916)	
Actuarial gains/losses		198 619	
Impairment loss		2 691 531	
Cash flow statement			
Cash flow from operating activities			
Cash receipts from ratepayers, government and others		73 915 172	
Interest paid		11 445 867	
Cash paid to suppliers and employees		(84 536 214)	
		824 825	
Cash flow from investing activities			
Purchase of property, plant and equipment		(742 625)	
Proceeds from sale of biological assets		(85 600)	
		(828 225)	
Net increase/(decrease) in cash and cash equivalents		(3 400)	
Commitments			
	Previously reported (2022)	Adjustments	Total
Authorised capital expenditure	11 731 051	(450 217)	11 280 834
Authorised operational expenditure	5 229 454	(1 038 195)	4 191 259
	16 960 505	(1 488 412)	15 472 093

Tswaing Local Municipality

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

Contingencies	Previously reported (2022)	Adjustments	Total
Litigation and claims	9 395 950	(7 335 950)	2 060 000
Landfill Site	-	4 023 510	4 023 510
	9 395 950	(3 312 440)	6 083 510

Fruitless and wasteful expenditure	Previously reported (2022)	Adjustments	Total
Opening Balance	70 446 203	1 104 693	71 550 896
Expenditure identified - 2022	9 011 950	2 050 677	11 062 627
	79 458 153	3 155 370	82 613 523

Irregular expenditure	Previously reported (2022)	Adjustments	Total
Opening Balance	531 565 765	(8 865 629)	522 700 136
Expenditure identified - 2022	53 336 129	155 943 159	209 279 288
	584 901 894	147 077 530	731 979 424

Unauthorised expenditure	Previously reported (2022)	Adjustments	Total
Opening Balance	619 989 598	-	619 989 598
Expenditure identified - 2022	-	75 801 056	75 801 056
	619 989 598	75 801 056	695 790 654

Tswaing Local Municipality

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to Medical Aid		
Opening balance	(780 179)	(699 654)
Current year subscription / fee	(7 459 185)	(6 894 125)
Amount paid - current year	7 509 567	6 813 600
	(729 797)	(780 179)
Audit fees Auditor General		
Opening balance	(1 595 037)	(2 484 295)
Current year subscription / fee	(3 186 360)	(2 469 769)
Amount paid - current year	3 093 784	3 359 027
	(1 687 613)	(1 595 037)
PAYE, SDL and UIF		
Opening balance	(3 862 152)	(38 900 401)
Current year subscription / fee	(16 908 908)	(14 942 765)
Amount paid - current year	16 206 951	49 981 014
	(4 564 109)	(3 862 152)
South African Local Government Association		
Opening balance	(2 316 509)	(1 154 924)
Current year subscription / fee	(1 168 906)	(1 185 585)
Amount paid - current year	-	24 000
	(3 485 415)	(2 316 509)

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

Councillors' arrear consumer accounts

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

30 June 2023	Total R
N.J. Molehabangwe	31 111
S. Viljoen	62 131
S.K. Moleleki	24 296
N.R Baitsumedi	31 038
T.M. Sehemu	18 230
K.P. Mathibe	24 282
F. Lobelo	46 687
	237 775
<hr/>	
30 June 2022	Total R
N.J. Molehabangwe	25 907
S. Viljoen	51 514
S.K. Moleleki	21 409
N.R Baitsumedi	26 059
T.M. Sehemu	14 383
K.P. Mathibe	21 395
F. Lobelo	42 947
	203 614

51. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangements.

WATER RELIEF

The Municipality is a party to a principal-agent arrangement in terms of the Water Relief Grant. The municipality is the agent and the Provincial Department of Co-operative Governance and Traditional Affairs is the principal in this arrangement.

PREPAID ELECTRICITY

The Municipality is also in a principal - agent arrangement with CigiCell (Pty) Ltd, where the Municipality is the principal and CigiCell is the agent.

Details of the arrangements are as follows:Details of the arrangements are as follows:

WATER RELIEF

The purpose of the arrangement is to construct and refurbish boreholes in the Tswaing Local Municipality area in order to improve the provision of water within communities.

PREPAID ELECTRICITY

CigiCell is acting as an agent in selling prepaid electricity on behalf of the Municipality

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51. Accounting by principals and agents (continued)

Entity as agent

Financial Impact

WATER RELIEF

During the financial period, the Municipality received funds totalling R 2 698 000 (2022: R 6 644 383). The Municipality has incurred expenditure of R 2 698 000 (2022: R 5 456 383) during the financial period.

Entity as a principal

Financial Impact

PREPAID ELECTRICITY

During the financial period, commission expense was R 1 387 828 (2022: R 1 435 708)

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

52. VAT receivable

VAT

30 510 662

18 534 904

The municipality submits VAT 201's to SARS on the payment basis, while the VAT payable above is on an accrual basis.

This results in time differences between amounts reflected by SARS and the municipality on VAT.

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

53. Change in estimate

Property, plant and equipment

The Municipality has reassessed the useful lives of Property, plant and equipment which resulted in remaining useful lives to change to reflect the actual pattern of service potential derived from the assets. The effect of the change in accounting estimate has resulted in a decrease in depreciation for the current period amounting to R 5 434 987.44.

Investment Property

The Municipality has reassessed the useful lives of investment property which resulted in remaining useful lives to change to reflect the actual pattern of service potential derived from the assets. The effect of the change in accounting estimate has resulted in a decrease in depreciation for the current period amounting to R 139 076.40.

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54. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior period errors.

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Included in the balance of Other payables (disclosed in the note of Trade Payables from exchange transactions) was an amount for unallocated deposits of R 8 386 484. For fair presentation, this amount was reclassified to be disclosed on its own.

Reclassification 2

Within the Receivables from exchange transactions, R 97 000 was reclassified from Pension debtors to Employee debtors as this amount related to payments the Municipality makes to employees or beneficiaries of employees in the event of death as a result the funeral cover benefits having lapsed due to non-payment by the Municipality of pension fund contributions. These amounts are expected to be recovered from the pension funds once the full payments of contributions has been made.

Reclassification 3

Within General expenses R 481 237 was reclassified to Consumable and R 833 075 was reclassified to Hire from Consulting fees due to invoices incorrectly classified in the 2022 year end.

Reclassification 4

In the 2021 year end, there was impairment that was accounted for on a WIP project of R 2 941 741. In 2022, the opening balance split between the cost and the accumulated impairment was not provided and the accumulated closing balance in 2021 of R 121 419 995 was disclosed as the cost of the WIP (Prior to adjustments done in the 2022 year end). Reclassification done between the WIP opening balance cost and the WIP opening accumulated impairment of R 2 941 741 for fair presentation of the Property, plant and equipment note.

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55. Segment information

General information

Identification of segments

The Municipality is organised and reports to management on the basis of five major functional areas: Executive and Council, Budget and Treasury, Corporate Services, Community and Social Services and Technical Services. The segments were organised around the type of service delivered and the target market. 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.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Executive and Council	Support and oversight of Municipality implementations of service delivery mandates
Budget and Treasury	Financial management, debt management, supply chain management, accounting and reporting
Corporate Services	Governance within the Municipality
Community and Social Services	Providing the community services and facilities. Includes housing, libraries, waste removal, vehicle licencing and testing.
Technical Services	Distribution of main service delivery. Includes waste water management, electricity distribution and water distribution.

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
Revenue						
Revenue from exchange transactions						
Rendering of services	-	-	-	12 158 619	69 362 711	81 521 330
Rental of facilities and equipment	-	-	-	70 405	-	70 405
Licences and permits	-	-	-	3 889 664	-	3 889 664
Dividends income	-	19 840	-	-	-	19 840
Interest received	-	281 631	-	-	-	281 631
Other income	-	622 175	-	110 403	61 554	794 132
Revenue from non-exchange transactions						
Property rates	-	28 770 538	-	-	-	28 770 538
Government grants & subsidies	153 619 255	3 100 000	310 497	-	66 672 758	223 702 510
Fines	-	-	-	521 380	-	521 380
Total segment revenue	153 619 255	32 794 184	310 497	16 750 471	136 097 023	339 571 430
Entity's revenue						339 571 430
Expenditure						
Employee related costs	10 834 955	15 251 737	20 413 629	34 795 153	18 970 330	100 265 804
Remuneration of councillors	11 682 957	-	-	-	-	11 682 957
Depreciation and amortisation	-	26 381 459	-	14 024	-	26 395 483
Finance costs	-	16 586 184	4 774 491	1 238 334	-	22 599 009
Lease rentals on operating lease	-	-	962 504	-	-	962 504
Debt impairment	-	2 105 006	-	-	-	2 105 006
Bad debts written-off	-	6 256 713	-	-	-	6 256 713
Bulk purchases	-	-	-	-	50 861 267	50 861 267
Contracted services	2 460 548	14 881 188	14 731 262	-	590 950	32 663 948
Fines and penalties	-	1 658 527	-	-	-	1 658 527
General expenses	21 509 338	6 433 786	6 376 568	6 982 134	10 353 946	51 655 772
Other						

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	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
55. Segment information (continued)						
Actuarial gains/losses	-	-	(15 850 467)	-	-	(15 850 467)
Fair value adjustments	-	13 767	-	-	-	13 767
Gain or loss on disposal of assets	-	-	-	193 107	-	193 107
Gain or loss on biological assets	-	-	-	-	(2 618 641)	(2 618 641)
Inventory losses/write-downs	-	135 242	-	-	-	135 242
Total segment expenditure	46 487 798	89 703 609	31 407 987	43 222 752	78 157 852	288 979 998
Total segmental surplus/(deficit)						50 591 432
Assets						
Inventories	-	3 298 805	-	-	-	3 298 805
Receivables from exchange transactions	-	3 181 379	-	-	-	3 181 379
Receivables from non-exchange transactions	-	30 320 140	-	-	-	30 320 140
VAT receivable	-	71 205 555	-	-	-	71 205 555
Trade and other receivables from exchange	-	-	-	25 651 072	31 680 966	57 332 038
Cash and cash equivalents	-	422 766	-	-	-	422 766
Biological assets	-	-	-	-	4 840 541	4 840 541
Investment property	-	-	-	62 446 743	-	62 446 743
Property, plant and equipment	-	147 887	2 775 844	228 556 518	505 411 619	736 891 868
Heritage assets	-	-	-	953 000	-	953 000
Other financial assets	-	504 019	-	-	-	504 019
Total segment assets	-	109 080 551	2 775 844	317 607 333	541 933 126	971 396 854
Total assets as per Statement of financial Position						971 396 854
Liabilities						
Payables from exchange transactions	-	315 054 706	-	-	-	315 054 706
Consumer deposits	-	16 192	-	-	1 382 485	1 398 677
Unspent conditional grants and receipts	-	-	-	-	2 367 377	2 367 377
Employee benefit obligation	-	-	21 847 527	-	-	21 847 527
Provisions	-	-	6 566 527	38 311 572	-	44 878 099
Total segment liabilities	-	315 070 898	28 414 054	38 311 572	3 749 862	385 546 386

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	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
55. Segment information (continued)						
Total liabilities as per Statement of financial Position						385 546 386
2022						
	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
Revenue						
Revenue from exchange revenue						
Rendering of services	-	-	-	11 980 521	81 018 648	92 999 169
Rental of facilities and equipment	-	-	-	26 545	-	26 545
Licences and permits	-	-	-	2 649 641	-	2 649 641
Other income	-	53 710	-	184 999	51 958	290 667
Interest received	-	197 148	-	-	-	197 148
Dividends received	-	27 320	-	-	-	27 320
Revenue from non-exchange revenue						
Property rates	-	26 536 095	-	-	-	26 536 095
Government grants & subsidies	133 758 000	3 100 000	151 800	-	47 096 124	184 105 924
Fines	-	-	-	636 100	-	636 100
Total segment revenue	133 758 000	29 914 273	151 800	15 477 806	128 166 730	307 468 609
Entity's revenue						307 468 609
Expenditure						
Employee related costs	8 619 757	15 072 965	14 595 932	32 346 535	18 418 418	89 053 607
Remuneration of councillors	10 850 036	-	-	-	-	10 850 036
Depreciation and amortisation	-	30 140 675	-	153 100	-	30 293 775
Finance costs	-	9 515 054	4 325 546	1 239 300	-	15 079 900
Lease rentals on operating lease	-	-	969 661	-	-	969 661
Debt Impairment	-	(170 861 105)	-	-	-	(170 861 105)
Bad debts written off	-	97 000	-	-	-	97 000
Loss due to undeposited receipts	-	-	-	781 033	-	781 033

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55. Segment information (continued)

Bulk purchases	-	-	-	-	51 554 286	51 554 286
Contracted services	2 675 848	6 912 322	16 178 941	-	-	25 767 111
Fines and penalties	-	892 872	-	-	-	892 872
General Expenses	10 364 405	4 834 236	5 845 020	10 376 602	37 824 084	69 244 347
Other						
Loss on disposal of assets and liabilities	-	-	-	254 168	2 628 319	2 882 487
Fair value adjustments	-	10 148	-	-	-	10 148
Actuarial gains/losses	-	(5 126 108)	-	-	-	(5 126 108)
Gain on biological assets	-	-	-	-	85 600	85 600
Impairment loss	-	-	-	-	4 078 782	4 078 782
Inventories losses/write-downs	-	392 066	-	-	-	392 066
Total segment expenditure	32 510 046	(108 119 875)	41 915 100	45 150 738	114 589 489	126 045 498
Total segmental surplus/(deficit)						181 423 111

Assets

Inventories	-	3 080 063	-	-	-	3 080 063
Receivables from exchange transactions	-	15 898 348	-	-	-	15 898 348
Receivables from non-exchange transactions	-	62 262 551	-	-	-	62 262 551
VAT receivable	-	40 582 760	-	-	-	40 582 760
Trade and other receivables from exchange	-	-	-	56 216 287	117 207 175	173 423 462
Cash and cash equivalents	-	1 080 282	-	-	-	1 080 282
Biological assets	-	-	-	-	2 221 900	2 221 900
Investment property	-	-	-	62 639 843	-	62 639 843
Property, plant and equipment	-	247 488	3 134 353	229 807 476	439 220 674	672 409 991
Heritage assets	-	-	-	953 000	-	953 000
Other financial assets	-	517 786	-	-	-	517 786
Total segment assets	-	123 669 278	3 134 353	349 616 606	558 649 749	1 035 069 986
Total assets as per Statement of financial Position						1 035 069 986

Liabilities

Payables from exchange transactions	-	297 682 052	-	-	-	297 682 052
Consumer deposits	-	5 739	-	-	1 317 747	1 323 486
Unspent conditional grants and receipts	-	-	-	-	4 219 084	4 219 084
Employee benefit obligation	-	-	31 951 442	-	-	31 951 442

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55. Segment information (continued)						
Provisions	-	-	6 676 329	34 784 644	-	41 460 973
Total segment liabilities	-	297 687 791	38 627 771	34 784 644	5 536 831	376 637 037
Total liabilities as per Statement of financial Position						376 637 037