Ditsobotla Local Municipality
(Registration number NW 384)
Annual Financial Statements
for the year ended June 30, 2023

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117of 1998) read with Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Provision of municipal services in terms of Chapter 7 of the Constitution of the Republic of South Africa, Act 108 of 1996; The Municipal System Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003
Mayoral committee	
Executive Mayor	Hon Cllr Mrs IE LETHOKO
Councillors	Hon Cllr Miss MK MOKGOTHU
	Hon Cllr Mr TJ Sehemo
	Hon Cllr Mr J MODISAKENG
	Hon Cllr Mr TEMERE
	Hon Cllr Mr DM MORURI
	Hon Cllr Mr SI THAMAGA
	Hon Cllr Mr KI RABENG
	Hon Cllr Mr JW PRETORIUS
	Hon Cllr Mr MP PHOKOMPE
	Hon Cllr Mr JJ VAN TONDER
	Hon Cllr Mr AM MOTLOUNG
	Hon Cllr Miss LA BONTES
	Hon Cllr Mr GG SEBOPELO
	Hon Cllr Miss TKY VOGEL
	Hon Cllr Mr GI MONGWENYANA
	Hon Cllr Mr RB Matlholoa
	Hon Cllr Mr AR Schnepel
	Hon Cllr Ms TB Mokhuane
	Hon Cllr Mr JL Mtlhambe
	Hon Cllr Ms KA Rajane
	Hon Cllr Mr MA Tali
	Hon Cllr Mr MP MOSETE
	Hon Cllr Mr KI MENOE
	Hon Cllr Ms MJ MOTSEPO
	Hon Cllr Miss ML PLAATJIE
	Hon Cllr Mr Y LAHER
	Hon Cllr Miss MV KGALAPA
	Hon Cllr Mr BF NKUTHA
	Hon Cllr Mr JT NTHAUDI
	Hon Cllr Mr TS MAXONGO
	Hon Cllr Miss OE MODISE
	Hon Cllr Mr BR PHALE
	Hon Cllr Mr KP MOLEME
	Hon Cllr Mr SS DITHATO
	Hon Cllr Mr BL MOSIANE
	Hon Cllr Miss EM BOGATSU
	Hon Cllr Mr MD NGAKE

General Information

	Hon Cllr Ms SE Moeketsane Hon Cllr Mr IW GROENEWALDT Hon Cllr Mr KP PHAKEDI Hon Cllr Mr PG LOTTERING Hon Cllr Miss GK MOROKE Hon Cllr Miss KM LEKABA Hon Cllr Mr MT MOLOKO Hon Cllr Mr KA MONCHOJANG Hon Cllr Mr RS KUAPANE Hon Cllr Miss SM MOKOME Hon Cllr Mr M GABAITUMELE Hon Cllr Mr PM NDARALA Hon Cllr Mr LK MOTLHATLHEDI Hon Cllr Mr ER SEFAKO Hon Cllr Mr PD CHACHA Hon Cllr Mrs A MABALANE Hon Cllr Mr KA GADITHULWE Hon Cllr Mr KD MOTLHATLHEDI Hon Cllr Mr G VISSER Hon Cllr Mr KE PHETHE Hon Cllr Mr MS MOSIATLHAGA Hon Cllr Ms MM Gulube Hon Cllr Mr KL Itlhopeng Hon Cllr Mr ML Thebeyagae Hon Cllr Mr FA JAKENI Hon Cllr Mr IT Nkashe
Grading of local authority	B
Registered office	Cnr Nelson Mandela and Transvaal Street Lichtenburg North West 2740
Postal address	P O Box 7 Litchtenburg 2740
Auditors	Auditor's/Accountant's name Registered Auditors

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117of 1998) read with Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996), 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 accouniting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounitng officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 June 30, 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the MM on August 31, 2024 and were signed on its behalf by:

Accounting Officer

Accounting Officer's Report

The accouniting officer submits her report for the year ended June 30, 2023.

1. Going concern

The annual financial statements of the Municipality have been prepared on a going concern basis. Accounting Policies as adopted by council presume that the Municiplaity will continue to be a going concern for the foreseable future especially the coming 12 months.
The Municipality currently is technically insolvent as its current liabilities exceed its current assets.Eskom Debt has not been settled completely for over 5 years previously, the Municipality and Eskom have negotiated an affordable payment plan on terms that are yet to be agreed between the Municipality and Eskom.The Municipality is engaging on stringent credit control measures and metering audits to mitigate the risk of meter tempering leading to loss of revenue. The disinvestment of Clover - had negative economic impact , the Municipality has engaged provincial and national departments of agriculture with the view of getting local farmers to utilise facilities.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality and through improved credit control enforcement, cost containment measures and close monitoring of projects implementation in line withgrants condition to restore the solvency of the municipality.

2. Subsequent events

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

3. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the on July 31, 2024 and were signed on its behalf by:

Accounting Officer

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Inventories	10	718,948	3,022,934
Receivables from exchange transactions		-	-
Receivables from non-exchange transactions	11	221,460,669	289,080,091
VAT receivable	12	-	67,262,952
Consumer debtors	13	466,329,136	383,107,170
Cash and cash equivalents	14	9,696,769	15,919,228
		698,205,522	**758,392,375**
Non-Current Assets			
Investment property	3	122,852,004	122,852,004
Property, plant and equipment	4	877,236,123	899,972,816
Heritage assets	5	506,795	506,795
		1,000,594,922	**1,023,331,615**
Total Assets		**1,698,800,444**	**1,781,723,990**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	1,194,039,567	1,253,762,479
Trade payable (non-exchange)		62,007,646	-
VAT payable	7	4,985,427	-
Consumer deposits	8	3,583,815	3,586,989
Employee benefit obligation	9	1,432,302	4,659,733
Unspent conditional grants and receipts	15	74,821,280	32,930,627
Provisions	16	57,340,874	15,122,922
		1,398,210,911	**1,310,062,750**
Non-Current Liabilities			
Employee benefit obligation	9	26,198,339	26,198,339
Provisions	16	37,102,511	30,146,683
		63,300,850	**56,345,022**
Total Liabilities		**1,461,511,761**	**1,366,407,772**
Net Assets		**237,288,683**	**415,316,218**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Service charges	18	160,740,708	173,877,046
Rendering of services		429,088	307,319
Rental of facilities and equipment	19	411,379	300,016
Interest received from Investments		629,600	539,100
Agency services	21	-	3,037,856
Licences and permits	22	2,100,792	8,930,210
Other income		-	61,500
Operational Revenue		508,284	-
Total revenue from exchange transactions		164,819,851	187,053,047
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	77,442,352	72,541,775
Transfer revenue			
Fines, Penalties and Forfeits	20	905,624	2,105,403
Other transfer revenue		34,426,712	185,395,550
Total revenue from non-exchange transactions		**112,774,688**	**260,042,728**
Total revenue	17	**277,594,539**	**447,095,775**
Expenditure			
Employee related costs	26	(293,541,916)	(271,545,463)
Remuneration of councillors	27	(13,258,910)	(15,476,351)
Depreciation and amortisation	28	(40,106,088)	(38,264,589)
Finance costs	29	(63,986,815)	(38,461,025)
Lease rentals on operating lease	23	(15,085,573)	(400,633)
Debt Impairment		(252,111,675)	(752,855,518)
Bad debts written off		(1,349,377)	-
Bulk purchases	32	(161,903,269)	(188,318,282)
Contracted services	33	(17,424,010)	(30,400,211)
Inventories losses/write-downs		(2,369,690)	-
General Expenses	31	(4,706,910)	(76,783,261)
Total expenditure		**(865,844,233)**	**(1,412,505,333)**
Deficit for the year		**(588,249,694)**	**(965,409,558)**

Ditsobotla Local Municipality

(Registration number NW 384)
Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	357,203,964	357,203,964
Balance at July 1, 2021	**357,203,964**	**357,203,964**
Changes in net assets		
Net income (losses) recognised directly in net assets	1,023,617,667	1,023,617,667
Surplus for the year	(965,429,854)	(965,429,854)
Total changes	58,187,813	58,187,813
Balance at July 1, 2022	**415,391,777**	**415,391,777**
Changes in net assets		
Net income (losses) recognised directly in net assets	1,000,594,922	1,000,594,922
Surplus for the year	(588,249,694)	(588,249,694)
Total changes	(178,103,094)	(178,103,094)
Balance at June 30, 2023	237,288,683	237,288,683
Note(s)		

Cash Flow Statement

Figures in Rand	2023	2022
Cash flows from operating activities		
Receipts		
Sale of goods and services	338,023,568	192,961,991
Grants	76,423,000	222,006,910
Interest income	622,912	67,945
Other receipts	412,816	-
Transfer In	425,169,597	161,778,836
	840,651,893	576,815,682
Payments		
Employee costs	(256,884,482)	(218,030,923)
Suppliers	(124,675,778)	(134,806,892)
Finance costs	(53,033)	(592,946)
VAT paid	(1,739,231)	-
Taxes Paid	(42,199,801)	(37,403,449)
Tranfer Out	(396,169,383)	(153,241,116)
	(821,721,708)	(544,075,326)
Net cash flows from operating activities	**18,930,185**	**32,740,356**
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,978,096)	(27,684,867)
Decrease in Investments	-	(3,625,938)
Net cash flows from investing activities	**(21,978,096)**	**(31,310,805)**
Net increase/(decrease) in cash and cash equivalents	**(3,047,911)**	**1,429,551**
Cash and cash equivalents at the beginning of the year	15,919,228	14,489,678
Cash and cash equivalents at the end of the year	**12,871,317**	**15,919,229**

The accounting policies on pages 11 to 35 and the notes on page 36 form an integral part of the annual financial statements.

Ditsobotla Local Municipality

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Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	342,161	-	**342,161**	160,740,708	**160,398,547**
Rendering of services	-	-	-	429,088	**429,088**
Rental of facilities and equipment	-	-	-	411,379	**411,379**
Interest received (trading)	479,000	-	**479,000**	629,600	**150,600**
Agency services	3,276,000	-	**3,276,000**	-	**(3,276,000)**
Licences and permits	8,889,000	-	8,889,000	2,100,792	(6,788,208)
Operational Revenue	-	-	-	508,284	508,284
Total revenue from exchange transactions	**12,986,161**	-	**12,986,161**	**164,819,851**	**151,833,690**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	71,699,999	-	**71,699,999**	77,442,352	**5,742,353**
Transfer revenue					
Fines, Penalties and Forfeits	4,172,000	-	**4,172,000**	905,624	**(3,266,376)**
Other transfer revenue 1	222,000	-	**222,000**	34,426,712	**34,204,712**
Total revenue from non-exchange transactions	**76,093,999**	-	**76,093,999**	**112,774,688**	**36,680,689**
Total revenue	**89,080,160**	-	**89,080,160**	**277,594,539**	**188,514,379**
Expenditure					
Employee Costs	(245,232,000)	-	**(245,232,000)**	(293,541,916)	**(48,309,916)**
Remuneration of councillors	(18,000,000)	-	**(18,000,000)**	(13,258,910)	**4,741,090**
Inventory Consumed	(9,500,475)	-	(9,500,475)	-	9,500,475
Depreciation and amortisation	(32,739,434)	-	**(32,739,434)**	(40,106,088)	**(7,366,654)**
Finance costs	(11,000,000)	-	**(11,000,000)**	(63,986,815)	**(52,986,815)**
Lease rentals on operating lease	-	-	-	(15,085,573)	(15,085,573)
Debt Impairment	(144,000,000)	-	**(144,000,000)**	(252,111,675)	**(108,111,675)**
Bad debts written off	-	-	-	(1,349,377)	**(1,349,377)**
Bulk purchases	(150,000,000)	-	**(150,000,000)**	(161,903,269)	**(11,903,269)**
Contracted Services	(35,599,000)	-	**(35,599,000)**	(17,424,010)	**18,174,990**
Inventory Write down	-	-	-	(2,369,690)	**(2,369,690)**
General Expenses	10,000,000	-	**10,000,000**	(4,706,910)	(14,706,910)
Total expenditure	(636,070,909)	-	(636,070,909)	(865,844,233)	(229,773,324)
Operating deficit	**(546,990,749)**	-	**(546,990,749)**	**(588,249,694)**	**(41,258,945)**
Inventories losses/write-downs	-	-	-	(2,369,690)	**(2,369,690)**
Deficit before taxation	**(546,990,749)**	-	**(546,990,749)**	**(590,619,384)**	**(43,628,635)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(546,990,749)**	-	**(546,990,749)**	**(590,619,384)**	**(43,628,635)**

Accounting Policies

Figures in Rand	2023	2022

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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 Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117of 1998) read with Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996).

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / 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 municipal entity 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.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

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

Useful lives of waste and water network and other assets

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

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 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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.

Accounting Policies

1.6 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.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.7 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 entity; 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.

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.7 Site restoration and dismantling cost (continued)

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 Years
Plant and machinery	Straight-line	1 - 7 Years
Furniture and fixtures	Straight-line	1 - 7 Years
IT equipment	Straight-line	1 - 4 Years

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

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Site restoration and dismantling cost (continued)

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

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

1.9 Intangible assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Accounting Policies

1.10 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

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

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

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

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

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

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions F i	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at fair value

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

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

Accounting Policies

1.12 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

Accounting Policies

1.12 Statutory receivables (continued)

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

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

1.13 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Current replacement cost is the cost the municpality 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.

1.14 Inventories (continued)

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municpality.

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 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.

1.16 Impairment of cash-generating assets (continued)

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

[Specify judgements made]

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.18 Employee benefits

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

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

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

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

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

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

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

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

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

1.18 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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.

1.19 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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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 entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus (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.

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

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

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

1.20 Commitments

Items are classified as commitments when the municipality 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.

Accounting Policies

1.21 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.

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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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 entity, and
- The amount of the revenue can be measured reliably.

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

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.

1.22 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

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

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

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

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

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

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.

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

1.23 Investment income

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

1.24 Borrowing costs

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

Accounting Policies

1.24 Borrowing costs (continued)

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

1.28 Segment information

A segment is an activity of an municipality:
- 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.

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.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

Accounting Policies

1.31 Events after reporting date (continued)

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July1,2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	April 1, 2099	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	122,852,004	-	122,852,004	122,852,004	-	122,852,004

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	122,852,004	122,852,004

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	122,852,004	122,852,004

Pledged as security

No Investment Property has been pledged as security
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.Carrying value of assets pledged as security:

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the entity has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the entity subsequently uses the fair value measurement, disclose the following:
- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Deemed cost

Notes to the Annual Financial Statements

Figures in Rand

4. 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	159,532,699	-	159,532,699	159,532,699	-	159,532,699
Buildings	137,427,544	(126,143,118)	11,284,426	137,427,544	(121,550,274)	15,877,270
Plant and machinery	1,536,923	(1,395,216)	141,707	1,536,923	(1,278,927)	257,996
Furniture and fixtures	3,775,397	(3,530,390)	245,007	3,775,397	(2,988,292)	787,105
Motor vehicles	26,837,272	(24,746,193)	2,091,079	26,837,272	(22,453,626)	4,383,646
Work In Progress	87,997,412	-	105,366,833	87,997,412	-	87,997,412
IT equipment	2,380,272	(2,189,732)	190,540	2,380,272	(1,871,382)	508,890
Infrastructure	1,054,669,193	(516,272,601)	538,396,592	1,054,669,193	(491,529,833)	563,139,360
Community	198,301,526	(138,314,256)	59,987,270	198,301,526	(130,813,084)	67,488,442
Total	**1,672,458,238**	**(812,591,506)**	**877,236,153**	**1,672,458,238**	**(772,485,418)**	**899,972,820**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Land	159,532,699	-	-	159,532,699
Buildings	15,877,270	-	(4,592,844)	11,284,426
Plant and machinery	257,996	-	(116,289)	141,708
Furniture and fixtures	787,105	-	(542,098)	245,008
Motor vehicles	4,383,646	-	(2,292,567)	2,091,048
IT equipment	508,890	-	(318,350)	190,541
Infrastructure	563,139,356	-	(24,742,768)	538,396,589
Community	67,488,442	-	(7,501,172)	59,987,271
Work In Progress	87,997,412	17,369,422	-	105,366,833
	899,972,816	**17,369,422**	**(40,106,088)**	**877,236,123**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Depreciation	Total
Land	159,532,699	-	-	-	159,532,699
Buildings	20,470,114	-	-	(4,592,844)	15,877,270
Plant And Machinery	413,048	-	-	(155,052)	257,996
Plant and machinery	-	-	-	-	-
Furniture and fixtures	1,509,903	-	-	(722,798)	787,105
Motor vehicles	7,440,402	-	-	(3,056,756)	4,383,646
IT equipment	933,357	-	-	(424,467)	508,890
Infrastructure	552,805,709	4,571,400	28,255,672	(22,493,425)	563,139,356
Community	61,156,392	2,527,023	10,624,274	(6,819,247)	67,488,442
Work In Progress	107,310,762	19,566,596	(38,879,946)	-	87,997,412
	911,572,386	**26,665,019**	**-**	**(38,264,589)**	**899,972,816**

Reconciliation of Work-in-Progress 2023

	Included within lBuildings	Included within Community	Included within Infrastructure	Total
Opening balance	3,919,855	15,223,870	68,853,687	87,997,412
Additions/capital expenditure	-	-	17,369,422	17,369,422
	3,919,855	**15,223,870**	**86,223,109**	**105,366,834**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Infrastructure	Total
Opening balance	-	18,507,813	88,802,949	107,310,762
Additions/capital expenditure	3,919,855	7,340,331	8,306,410	19,566,596
Transferred to completed items	-	(10,624,274)	(28,255,672)	(38,879,946)
	3,919,855	**15,223,870**	**68,853,687**	**87,997,412**

4. 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.

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	506,795	-	506,795	506,795	-	506,795

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	506,795	506,795

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	506,795	506,795

6. Payables from exchange transactions

Trade payables	1,151,350,417	972,494,073
Payments received in advanced - contract in process	-	147,679,513
Salary Control Accounts	-	8,582,604
Accrued leave pay	1,481,381	21,455,693
Accrued bonus	14,903,387	7,043,292
Unallocated Deposits	11,964,847	69,568,281
Retentions	14,339,535	13,887,293
Other Creditors	-	13,051,730
	1,194,039,567	**1,253,762,479**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. VAT payable

VAT payable	4,985,427	-

8. Consumer deposits

Housing rental	3,583,815	3,586,989

9. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	-	(26,198,339)
Present value of the defined benefit obligation-partly or wholly funded	-	(1,519,000)
Fair value of plan assets	-	(1,897,831)
Fair value of reimbursement rights	-	(1,242,812)
	-	**(30,858,072)**

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

Calculation of actuarial gains and losses

10. Inventories

Consumable stores	-	2,379,545
Water for distribution	718,948	718,948
	718,948	**3,098,493**

11. Receivables from non-exchange transactions

Fines	819,605	-
License and Permits	35,553	3,486
Consumer debtors - Rates	220,605,512	289,076,605
	221,460,670	289,080,091

12. VAT receivable

VAT	-	67,262,952

13. Consumer debtors

Gross balances		
Rates	-	209,204,212
Electricity	353,623,876	262,751,007
Water	161,973,396	326,521,882
Sewerage	109,675,998	120,902,915
Refuse	75,036,936	80,891,578
Other (specify)	-	135,691,094
	700,310,206	**1,135,962,688**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	-	(142,258,864)
Electricity	(127,304,596)	(178,670,685)
Water	(58,310,423)	(222,034,880)
Sewerage	(39,483,359)	(82,213,982)
Refuse	(27,013,297)	(55,006,273)
Other (specify)	-	(72,670,834)
	(252,111,675)	**(752,855,518)**

Net balance		
Rates	-	66,945,348
Electricity	226,319,281	84,080,322
Water	58,310,423	104,487,002
Sewerage	70,192,639	38,688,933
Refuse	48,023,639	25,885,305
Other (specify)	-	63,020,260
	402,845,982	**383,107,170**

Rates		
Current (0 -30 days)	-	66,945,348
Electricity		
Current (0 -30 days)	226,319,281	84,080,322
Water		
Current (0 -30 days)	58,310,423	104,487,002
Sewerage		
Current (0 -30 days)	70,192,639	38,688,933
Refuse		
Current (0 -30 days)	48,023,639	25,885,305
Other (specify)		
Current (0 -30 days)	-	63,020,260

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	159,132	5,275,833
Short-term deposits	9,537,637	10,643,395
	9,696,769	**15,919,228**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
ABSA BANK - Current Account (1003100339)	159,132	5,263,831	208,342	159,132	5,263,831	208,342
ABSA BANK - Traffic Account (4060907068)	33,078	12,002	1,573,922	33,078	12,002	1,573,922
ABSA BANK - Call Account (4062185139)	3,933,395	4,977	7,537,090	3,933,395	4,977	7,537,090
ABSA BANK - Call Account (4096263199)	5,436,048	10,502,591	5,033,937	5,436,048	10,502,591	5,033,937
ABSA BANK - Call Account (38025140335)	135,116	135,827	136,387	135,116	135,827	136,387
Total	**9,696,769**	**15,919,228**	**14,489,678**	**9,696,769**	**15,919,228**	**14,489,678**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LG Seta	2,450,219	2,450,219
Library Grants	1,306,745	1,306,745
Municipal Infrastructure Grants	65,102,446	23,707,446
INEP Grant	3,026,057	3,026,057
Financial Management Grant	2,935,813	2,440,160
	74,821,280	**32,930,627**

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 10 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	45,269,605	2,216,085	47,485,690

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	43,153,000	2,116,605	45,269,605

The In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the
end of its useful life. Provision has been made for the net present value of this cost.
Assumption used • The discount rate used of 9.02% was estimated based on the inflation rates.
• The annual inflation rate: 5.84%.
In determining the best estimate, the related risks and uncertainties are considered
Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.
The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.
The discount rate does not reflect risks for which future cash flow estimates have been adjusted.
Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.
If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is released.
Provisions are not recognized for the following
Future operating losses.
Labor projected increases.
The projected inflation rate of heavy-duty machinery.

17. Revenue

	2023	2022
Rendering of services	429,088	307,319
Service charges	160,740,708	173,877,046
Rental of facilities and equipment	411,379	300,016
Interest received from Investments	629,600	539,100
Agency services	-	3,037,856
Licences and permits	2,100,792	8,930,210
Other income 1	-	61,500
Property rates	77,442,352	72,541,775
Fines, Penalties and Forfeits	905,624	2,105,403
Other transfer revenue	34,426,712	185,395,550
Operational Revenue	508,284	-
	277,594,539	**447,095,775**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of Services	429,088	307,319
Service Charges	160,740,708	173,877,046
Rental of facilities and equipment	411,379	300,016
Interest received from Investments	629,600	539,100
Agency services	-	3,037,856
Licences and permits	2,100,792	8,930,210
Other income	-	61,500
Operational Revenue	508,284	-
	164,819,851	**187,053,047**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	77,442,352	72,541,775
Transfer revenue		
Fines, Penalties and Forfeits	905,624	2,105,403
Other transfer revenue	34,426,712	185,395,550
	112,774,688	260,042,728

18. Service charges

Sale of electricity	92,341,561	88,249,925
Sale of water	25,601,099	45,947,741
Solid waste	24,628,713	19,909,498
Refuse removal	18,169,335	19,769,882
	160,740,708	**173,877,046**

19. Rental of facilities and equipment

Premises		
Premises	383,444	292,790
Facilities and equipment		
Rental of facilities	27,935	7,226
Premises	-	-
Garages and Parking	-	-
Facilities and Equipment	-	-
	411,379	**300,016**

Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2022: R -) as well as contingent rentals of R - (2022: R -).

20. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	905,624	2,105,403

21. Agency services

Vehicle Registration	-	3,037,856

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Licences and permits

Licences and permits	2,100,792	8,930,210

23. Lease rentals on operating lease

Contractual amounts		
Plant and equipment	-	-
Contractual amounts	15,086,268	400,633
	15,086,268	**400,633**

24. Property rates

Rates received

Residential	59,999,255	55,866,865
Commercial	24,148,145	22,796,919
State	314,800	314,800
Municipal	11,783,916	11,708,638
Less: Income forgone	(18,803,764)	(18,145,447)
	77,442,352	**72,541,775**

Valuations

Residential	3,369,146,728	3,369,146,728
Commercial	971,815,004	971,815,004
Municipal	179,336,494	179,336,494
Agriculture	3,912,300,004	3,912,300,004
Multipurpose	466,610,061	466,610,061
Public Service and PBO age	100,083,500	100,083,500
Church	79,308,000	79,308,000
Vacant Land	63,386,611	63,386,611
Mining	1,810,000	1,810,000
	9,143,796,402	**9,143,796,402**

Valuations were last performed in the 2016/2017 financial year. The new general valuation will be implemented from 01 July 2024 as approved by council in September 2023.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Government grants & subsidies

	2023	2022
Operating grants		
Equitable share	159,232,000	140,762,000
LG Seta Grant	-	542,550
Financial Management Grants	3,100,000	3,000,000
EPWP	1,081,000	1,510,000
Library Grant	-	1,006,000
	163,413,000	**146,820,550**
Capital grants		
Municipal Infrastructure Grants	41,395,000	38,475,000
Integrated National Electrification Program Grant	-	-
	41,395,000	**38,475,000**
	204,808,000	185,295,550

Conditional and Unconditional

Included in above are the following grants and subsidies received:
Conditional grants Included

	2023	2022
Conditional grants received	45,576,000	44,633,550
Unconditional grants received	159,232,000	140,762,000
	204,808,000	**185,395,550**

Equitable Share

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

LG Seta Grant

	2023	2022
Balance unspent at beginning of year	2,450,219	1,907,669
Current-year receipts	-	542,550
	2,450,219	**2,450,219**

Conditions still to be met - remain liabilities (see note 15)
The grant is intended to provide the municipality with finance of skills development and training of the council management and employeesConditions still to be met - remain liabilities (see note 15).

Financial Management Grants

	2023	2022
Balance unspent at beginning of year	2,440,160	-
Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(2,604,347)	(659,840)
	2,935,813	2,440,160

Conditions still to be met - remain liabilities (see note 15).
The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA)..

Library Grant

	2023	2022
Balance unspent at beginning of year	1,171,559	388,722
Current-year receipts	-	1,006,000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Government grants & subsidies (continued)

Conditions met - transferred to revenue	-	(223,163)
	1,171,559	**1,171,559**

Conditions still to be met - remain liabilities (see note 15).
The grant is used to provide the municipality with finance for the operation and administration of Coligny, Boikhutso and Lichtenburg Community Libraries.Conditions still to be met - remain liabilities

EPWP Grant

Current-year receipts	1,081,000	1,510,000
Conditions met - transferred to revenue	(1,081,000)	(1,510,000)
	-	-

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines

Municipal Infrastructure Grant

Balance unspent at beginning of year	26,106,290	2,398,844
Current-year receipts	41,395,000	38,475,000
Conditions met - transferred to revenue	-	(14,767,554)
	67,501,290	**26,106,290**

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

The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households ,micro enterprises and social institutions servicing poor communities.

INEP Grant

Balance unspent at beginning of year	3,026,057	3,026,057

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

The grant is used to asssist with electrication projects identified within the communities

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Employee related costs

Basic	181,101,360	164,944,859
EPWP Stipend	995,120	-
Bonus	13,778,445	9,895,706
Medical aid - company contributions	11,060,342	9,914,716
UIF	1,576,130	1,452,606
Pension Fund	31,498,392	40,784,834
SDL	2,202,658	1,944,389
Ward Committee (out-of-pocket reimbursement)	707,000	-
Leave pay provision charge	-	-
Defined contribution plans	-	-
Travel, motor car, accommodation, subsistence and other allowances	7,867,285	7,377,663
Overtime payments	36,995,645	29,641,597
Long-service awards	2,362,195	1,242,812
Acting allowances	1,491,519	1,953,564
Housing benefits and allowances	520,835	492,865
Leave Pay	1,289,483	1,897,831
Bonus Provision	-	-
SALGA	95,505	-
	293,541,914	**271,543,442**

27. Remuneration of councillors

Councillor Allowance	9,832,501	10,684,915
Cellphone Allowance	1,207,000	1,576,989
Transport Allowance	2,126,899	2,677,160
Pension Fund	10,298	460,949
Medical Aid	1,440	21,600
Reimbursive Travel	-	51,619
SDL	79,709	2,942
UIF	1,063	177
	13,258,910	**15,476,351**

In-kind benefits

The Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at
the cost of the Council.
The Mayor has the use of separate Council owned vehicles for official duties.
The Mayor has one full-time bodyguard.

28. Depreciation and amortisation

Property, plant and equipment	40,106,088	38,264,589

29. Finance costs

Trade and other payables	63,986,815	38,461,025

30. Auditors' remuneration

Fees	1,400,655	1,400,655

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. General expenses

Advertising	317,730	612,269
Auditors remuneration	-	1,400,655
Bank charges	517,406	592,946
Commission paid	-	10,508,572
Computer expenses	-	10,227,038
Consulting and professional fees	-	27,801,330
Consumables	1,926,842	2,867,712
Fines and penalties	-	34,855
Insurance	1,076,640	2,565,391
IT expenses	95,000	-
Fuel and oil	-	8,202,704
Printing and stationery	-	18,600
Protective clothing	-	393,448
Repairs and maintenance	-	3,596,635
Telephone and fax	-	3,135,525
Training	779,587	-
Travel - local	8,242	355,406
Title deed search fees	-	56,982
Bargaining Council	-	300,679
Landfill Movement	-	2,116,605
Uniforms	-	29,350
	4,721,447	**74,816,702**

32. Bulk purchases

Electricity - Eskom	152,387,421	172,510,278
Water	9,515,848	15,808,005
	161,903,269	**188,318,283**

33. Contracted services

Presented previously		
Other Contractors	17,424,010	22,195,594
Outsourced Services		
Burial Services	-	147,000
Catering Services	-	25,886
Medical Services [Medical Health Services & Suppor	-	364,193
Refuse Removal	-	7,579,707
Transport Services	-	87,830
	17,424,010	**30,400,210**

34. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At cost	Total
Other receivables from non-exchange transactions	221,460,669	221,460,669
Consumer debtors	466,329,136	466,329,136
Cash and cash equivalents	9,696,769	9,696,769
	697,486,574	**697,486,574**

34. Financial instruments disclosure (continued)

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,194,039,567	1,194,039,567
Employee Benefit Obligation	26,198,339	26,198,339
Unspent conditional grants and receipts	74,821,280	74,821,280
Provisions	57,340,874	57,340,874
Consumer Deposits	3,583,815	3,583,815
VAT Payable	4,985,427	4,985,427
	1,360,969,302	**1,360,969,302**

2022

Financial assets

	At cost	Total
Other receivables from non-exchange transactions	289,080,091	289,080,091
Consumer debtors	412,972,030	412,972,030
Cash and cash equivalents	15,919,228	15,919,228
VAT Receivable	67,552,951	67,552,951
	785,524,300	**785,524,300**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,253,762,479	1,253,762,479
Employee Benefit Obligation	26,198,339	26,198,339
Unspent conditional grants and receipts	32,930,627	32,930,627
Provisions	45,269,605	45,269,605
Consumer Deposits	3,586,989	3,586,989
	1,361,748,039	**1,361,748,039**

35. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	104,773,158	84,968,223
Total capital commitments		
Already contracted for but not provided for	104,773,158	84,968,223

This committed expenditure relates to property and will be financed by available by funds internally generated and grants.

36. Risk management

Liquidity risk

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 assets.
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities
.
Cash flow forecasts are prepared and adequate cashflows primarily obtained from government grants are utilised through the approved budget and monitored via monthly cashflow assessments

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Market risk

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated 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. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.:
Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity
securities classified as available-for-sale.

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

37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to receive government grants for the ongoing operations for the municipality.

38. Events after the reporting date

Management is not aware if any events that happened after the reporting date that requires disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Unauthorised expenditure

Opening balance as previously reported	274,557,143	203,572,244
Add: Unauthorised expenditure - current	281,824,494	70,984,899
Closing balance	**556,381,637**	**274,557,143**

40. Fruitless and wasteful expenditure

Opening balance as previously reported	250,229,576	228,208,518
Add: Fruitless and wasteful expenditure identified - current	64,065,443	22,021,058
Closing balance	**314,295,019**	**250,229,576**

41. Irregular expenditure

Opening balance as previously reported	379,616,865	355,567,932
Opening balance as restated	**379,616,865**	**355,567,932**
Add: Irregular Expenditure - current	29,704,946	24,048,933
Closing balance	**409,321,811**	**379,616,865**

Irregular expenditure is presented inclusive of VAT

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	1,400,655	1,400,655

VAT

VAT receivable	-	67,262,952
VAT payable	4,985,427	-
	4,985,427	**67,262,952**

VAT output payables and VAT input receivables are shown in note 12

43. Deviation from supply chain management regulations

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

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