Naledi Local Municipality
Demarcation Code NW392
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Naledi Local Municipality is a Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998)
	Municipal Finance Management Act (Act no.56 of 2003)
Mayoral committee	
Executive Mayor	Cllr. C.J Groep (Mayor)
	Cllr. P.G Gulane (Speaker)
	Cllr. E.M Letswene
Councillors	Cllr. F.D Mgida
	Cllr. L.C Jacobs
	Cllr. P.I Selotlego
	Cllr. L.V Setlhake
	Cllr. V.R Morakile
	Cllr. R. Molehe
	Cllr. K.S Wilson
	Cllr. H.V Huyssteen
	Cllr. J Brand
	Cllr. J Adonis
	Cllr. W Brits
	Cllr. N P Tunyiswa
	Cllr. K Tshite
	Cllr. D Koepile
	Cllr. LG Stevens-19 October 2022 to 01 June 2023
	Cllr. P Letsolo-09 November 2021 to 13 October 2022
	Cllr. B Mokomele 07 June 2023 to date
Grading of local authority	Grade 3
Accounting Officer	Mr M.T. Segapo
Chief Finance Officer (CFO)	Mr M.D.K. Maruping
Registered office	Civic Center 19A Market Street Vryburg North West 8601
Business address	Civic Center 19A Market Street Vryburg North West 8601
Postal address	P.O Box 35 Vryburg 8600

General Information

Bankers	ABSA First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Modiboa Attorneys Inc Duplessis Viviers Inc M.E Tlou Attorneys and Associates Inc Waks Silent Attorneys Inc Mamatela Attorneys Inc

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
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 Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is 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 Auditor General South Africa is responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2023:

Accounting Officer
Mr M Segapo

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet atleast 4 times per annum as per its approved terms of reference. During the current year three(3) meetings were held.

Name of member	Number of meetings attended
Ms. J S Masite (Chairperson)	3
Mr. E. Van Rensburg	3
Mr. L. Berend	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated deficit of (220 058 536) and that the municipality's total liabilities exceed its assets by (252 990 882).

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

The detailed analysis on going concern is included on Note 55 to the annual financial statements.

3. Subsequent events

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

4. Accounting policies

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

5. Corporate governance

General

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

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2023:

Accounting Officer
Mr M Segapo

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	11	321 606	1 084 291
Receivables from non-exchange transactions	12&14	160 755 954	58 828 947
Consumer debtors	13	138 352 470	125 682 884
Cash and cash equivalents	15	24 905 344	18 707 540
		324 335 374	**204 303 662**
Non-Current Assets			
Biological assets	3	2 403 530	3 333 867
Investment property	4	65 301 000	65 301 000
Property, plant and equipment	5	603 892 277	564 693 384
Heritage assets	6	1 532 001	1 398 001
		673 128 808	**634 726 252**
Total Assets		**997 464 182**	**839 029 914**
Liabilities			
Current Liabilities			
Other financial liabilities	18	994 145	7 141 491
Payables from exchange transactions	7	1 081 136 019	920 221 979
VAT payable	8	48 793 277	39 089 522
Consumer deposits	9	6 576 162	6 006 769
Employee benefit obligation	10	3 075 000	2 935 000
Unspent conditional grants	17	2 058 865	4 425 537
Provisions	19	37 165 049	29 771 342
		1 179 798 517	**1 009 591 640**
Non-Current Liabilities			
Employee benefit obligation	10	57 322 378	57 276 000
Provisions	19	13 334 169	6 614 762
		70 656 547	**63 890 762**
Total Liabilities		**1 250 455 064**	**1 073 482 402**
Net Assets		**(252 990 882)**	**(234 452 488)**
Reserves			
Revaluation reserve	16	9 097 171	2 470 085
Accumulated surplus / (deficit)		(262 088 053)	(236 922 573)
Total Net Assets		**(252 990 882)**	**(234 452 488)**

* See Note 44 & 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	209 688 978	207 738 869
Rental of facilities and equipment	22	1 880 212	1 664 201
Licences and permits	23	1 488 049	2 747 706
Other income	24	3 053 334	3 986 850
Interest received	25	34 492 020	23 899 974
Total revenue from exchange transactions		**250 602 593**	**240 037 600**
Revenue from non-exchange transactions			
Taxation revenue			
Interest - Taxation revenue	26	7 745 123	3 992 036
Property rates	27	78 806 376	64 115 676
Transfer revenue			
Fines, Penalties and Forfeits	29	33 257 600	3 690 050
Government grants & subsidies	28	119 302 572	103 385 913
Public contributions and donations	51	2 250 000	-
Total revenue from non-exchange transactions		**241 361 671**	**175 183 675**
Total revenue	20	**491 964 264**	**415 221 275**
Expenditure			
Employee related costs	30	(232 905 933)	(217 709 161)
Remuneration of councillors	31	(8 421 462)	(8 139 045)
Depreciation and amortisation	32	(34 931 343)	(41 626 858)
Finance costs	33	(66 324 951)	(36 142 734)
Debt Impairment	35	(18 024 550)	(14 962 061)
Bulk purchases	37	(114 873 379)	(115 800 326)
Contracted services	38	(60 517 288)	(58 029 040)
General Expenses	36	(45 411 656)	(30 359 554)
Total expenditure		**(581 410 562)**	**(522 768 779)**
Operating surplus /(deficit)	39	**(89 446 298)**	**(107 547 504)**
Loss on disposal of assets and liabilities		(768 501)	-
Fair value adjustments	40	(273 599)	2 898 376
Actuarial gains/losses	10	7 743 184	1 443 000
		6 701 084	**4 341 376**
Deficit for the year		**(82 745 214)**	**(103 206 128)**

* See Note 44 & 43

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 470 085	(87 763 426)	(85 293 341)
Adjustments			
Correction of errors 43	-	(45 953 019)	(45 953 019)
Balance at 01 July 2021 as restated*	**2 470 085**	**(133 716 445)**	**(131 246 360)**
Changes in net assets			
Deficit for the Period	-	(103 206 128)	(103 206 128)
Total changes	-	(103 206 128)	(103 206 128)
Opening balance as previously reported	9 097 171	(183 339 637)	(174 242 466)
Adjustments			
Correction of errors 43	-	3 996 798	3 996 798
Restated* Balance at 01 July 2022 as restated*	**9 097 171**	**(179 342 839)**	**(170 245 668)**
Changes in net assets			
Surplus for the Period	-	(82 745 214)	(82 745 214)
Total changes	-	(82 745 214)	(82 745 214)
Balance at 30 June 2023	**9 097 171**	**(262 088 053)**	**(252 990 882)**

* See Note 44 & 43

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		209 792 838	207 738 869
Grants		119 285 360	103 385 913
Interest income		34 492 020	23 899 974
		363 570 218	335 024 756
Payments			
Employee costs		(177 860 607)	(100 124 647)
Suppliers		(96 870 331)	(67 529 580)
Finance costs		(66 324 951)	(36 142 734)
		(341 055 889)	(203 796 961)
Net cash flows from operating activities	52	**22 514 329**	**131 227 795**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(63 993 721)	(46 516 111)
Proceeds from sale of property, plant and equipment	5	-	2 780 941
Net cash flows from investing activities		**(63 993 721)**	**(43 735 170)**
Cash flows from financing activities			
Repayment of other financial liabilities		(6 147 346)	(5 189 414)
Net cash flows from financing activities		**(6 147 346)**	**(5 189 414)**
Net increase/(decrease) in cash and cash equivalents		**(47 626 738)**	**82 303 211**
Cash and cash equivalents at the beginning of the year		18 707 540	50 656 476
Cash and cash equivalents at the end of the year	15	**(28 919 198)**	**132 959 687**

* See Note 44 & 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	272 281 793	7 815 863	**280 097 656**	209 688 978	**(70 408 678)**	59 -1
Rental of facilities and equipment	1 744 725	164 595	**1 909 320**	1 880 212	**(29 108)**	59 - 2
Interest income	31 683 135	-	**31 683 135**	33 725 402	**2 042 267**	59 - 3
Licences and permits	1 201 510	7 930 841	**9 132 351**	1 488 049	**(7 644 302)**	59 - 4
Other income	2 863 218	1 109 048	**3 972 266**	3 053 334	**(918 932)**	59 - 5
Interest received - investment	600 000	600 000	**1 200 000**	766 618	**(433 382)**	59 - 6
Total revenue from exchange transactions	**310 374 381**	**17 620 347**	**327 994 728**	**250 602 593**	**(77 392 135)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	67 789 259	307 455	**68 096 714**	78 806 376	**10 709 662**	59 - 7
Interest - Taxation revenue	5 900 625	-	**5 900 625**	7 745 123	**1 844 498**	59 - 8
Transfer revenue						
Government grants & subsidies	92 577 000	1 701 985	**94 278 985**	119 302 572	**25 023 587**	59 - 9
Public contributions and donations	-	-	**-**	2 250 000	**2 250 000**	59 - 10
Fines, Penalties and Forfeits	8 384 000	-	**8 384 000**	33 257 600	**24 873 600**	59 - 11
Total revenue from non-exchange transactions	**174 650 884**	**2 009 440**	**176 660 324**	**241 361 671**	**64 701 347**	
Total revenue	**485 025 265**	**19 629 787**	**504 655 052**	**491 964 264**	**(12 690 788)**	
Expenditure						
Employee Related costs	(238 762 854)	2 500 000	**(236 262 854)**	(232 827 583)	**3 435 271**	59 - 12
Remuneration of councillors	(7 949 289)	-	**(7 949 289)**	(8 421 462)	**(472 173)**	59 - 13
Transfers and grants	(320 000)	320 000	**-**	-	**-**	
Depreciation and amortisation	(41 508 744)	-	**(41 508 744)**	(34 931 343)	**6 577 401**	59 - 14
Finance costs	(15 000 000)	(13 500 000)	**(28 500 000)**	(65 323 260)	**(36 823 260)**	59 - 15
Debt Impairment	-	-	**-**	(18 024 550)	**(18 024 550)**	
Bulk purchases	(107 000 000)	804 919	**(106 195 081)**	(114 873 379)	**(8 678 298)**	59 - 16
Other expenditure	(114 052 251)	(21 059 469)	**(135 111 720)**	(107 008 985)	**28 102 735**	59 - 17
Total expenditure	**(524 593 138)**	**(30 934 550)**	**(555 527 688)**	**(581 410 562)**	**(25 882 874)**	
Operating deficit	**(39 567 873)**	**(11 304 763)**	**(50 872 636)**	**(89 446 298)**	**(38 573 662)**	
Loss on disposal of assets and liabilities	-	-	**-**	(768 501)	**(768 501)**	
Fair value adjustments	-	-	**-**	(273 599)	**(273 599)**	59 - 18
Actuarial gains/losses	-	-	**-**	7 743 184	**7 743 184**	59 - 19
	-	**-**	**-**	**6 701 084**	**6 701 084**	
Surplus/(Deficit)	**(39 567 873)**	**(11 304 763)**	**(50 872 636)**	**(82 745 214)**	**(31 872 578)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(39 567 873)**	**(11 304 763)**	**(50 872 636)**	**(82 745 214)**	**(31 872 578)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	985 000	-	**985 000**	321 606	**(663 394)**	59 - 20
Receivables from non-exchange transactions	37 628 000	-	**37 628 000**	160 755 954	**123 127 954**	59 - 21
Receivables from exchange transactions	211 471 000	(168 874 000)	**42 597 000**	138 352 470	**95 755 470**	59 - 22
Call investment	427 297 000	-	**427 297 000**	-	**(427 297 000)**	59 - 23
Cash and cash equivalents	(491 726 000)	236 584 000	**(255 142 000)**	24 905 344	**280 047 344**	59 - 24
	185 655 000	**67 710 000**	**253 365 000**	**324 335 374**	**70 970 374**	
Non-Current Assets						
Biological assets	1 675 000	-	**1 675 000**	2 403 530	**728 530**	59 - 25
Investment property	57 637 000	-	**57 637 000**	65 301 000	**7 664 000**	59 - 26
Property, plant and equipment	651 631 000	(50 108 000)	**601 523 000**	603 892 277	**2 369 277**	59 - 27
Intangible assets	724 000	(300 000)	**424 000**	-	**(424 000)**	59 - 28
Heritage assets	1 359 000	-	**1 359 000**	1 532 001	**173 001**	59 - 29
	713 026 000	**(50 408 000)**	**662 618 000**	**673 128 808**	**10 510 808**	
Total Assets	**898 681 000**	**17 302 000**	**915 983 000**	**997 464 182**	**81 481 182**	
Liabilities						
Current Liabilities						
Other financial liabilities	(12 890 000)	-	**(12 890 000)**	994 145	**13 884 145**	59 - 30
Payables from exchange transactions	(744 618 000)	(18 639 000)	**(763 257 000)**	1 081 136 019	**1 844 393 019**	59 - 31
VAT payable	-	-	**-**	48 793 277	**48 793 277**	59 - 32
Consumer deposits	(5 020 000)	-	**(5 020 000)**	6 576 162	**11 596 162**	59 - 33
Employee benefit obligation	-	-	**-**	3 075 000	**3 075 000**	59 - 34
Unspent conditional grants	-	-	**-**	2 058 865	**2 058 865**	59 - 35
Provisions	(29 822 000)	-	**(29 822 000)**	37 165 049	**66 987 049**	59 - 36
	(792 350 000)	**(18 639 000)**	**(810 989 000)**	**1 179 798 517**	**1 990 787 517**	
Non-Current Liabilities						
Other financial liabilities	(5 987 000)	-	**(5 987 000)**	-	**5 987 000**	59 - 37
Employee benefit obligation	-	-	**-**	57 322 378	**57 322 378**	59 - 38
Provisions	97 705 000	-	**97 705 000**	13 334 169	**(84 370 831)**	59 - 39
	91 718 000	**-**	**91 718 000**	**70 656 547**	**(21 061 453)**	
Total Liabilities	**(700 632 000)**	**(18 639 000)**	**(719 271 000)**	**1 250 455 064**	**1 969 726 064**	
Net Assets	**1 599 313 000**	**35 941 000**	**1 635 254 000**	**(252 990 882)**	**(1 888 244 882)**	
Net Assets						
Reserves						
Revaluation reserve	2 470 000	-	**2 470 000**	9 097 171	**6 627 171**	59 - 40
Accumulated surplus / (deficit)	1 596 843 000	35 941 000	**1 632 784 000**	(262 088 053)	**(1 894 872 053)**	59 - 41
Total Net Assets	**1 599 313 000**	**35 941 000**	**1 635 254 000**	**(252 990 882)**	**(1 888 244 882)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Accounting Policies

Figures in Rand	Note(s)	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 Municipal Finance Management Act (Act 56 of 2003).

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

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:

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Trade receivables

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

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.

Fair value estimation

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

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of Infrastructure Assets 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 10.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows..

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenes are only debited to loan account when they are paid on behalf of the principal not when they are accrued.

Additional information is disclosed in Note 60.

1.6 Biological assets

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

Biological assets are measured at their fair value less costs to sell.

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A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Derecognition of biological assets occurs when the asset is disposed of, or when it can no longer be used to provide the service.

1.7 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.

1.7 Investment property (continued)

Fair value

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

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

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

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

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

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 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 4).

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.8 Property, plant and equipment (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.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20-30 years
Roads and lights	Straight-line	10-40 years
Sewerage	Straight-line	25-30 years
Landfill site Perimeter Protection Structure	Straight-line	10-55 years
Recreational Facilities	Straight-line	30 years
Cemetries	Straight-line	30 years
Halls	Straight-line	30 years
Libraries	Straight-line	30 years
Civic Buildings	Straight-line	30 years
Office Equipment	Straight-line	7 years
Furniture and Fittings	Straight-line	7 years
Motor Vehicles	Straight-line	7 years
Machinery and Equipment	Straight-line	5-10 year
IT Equipment	Straight-line	5 years
Other Assets	Straight-line	4-15 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.

1.8 Property, plant and equipment (continued)

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Heritage assets (continued)

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, 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.

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;

1.10 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

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

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

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

- derivatives;
- 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.

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 Transaction	Financial asset measured at amortised cost
Receivables from non-exchnage Transaction	Financial asset measured at amortised cost
Cash and Cash Equivalent	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
Other Fincial Liabilities-DBSA Loan	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

1.11 Statutory receivables

Identification

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

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

1.11 Statutory receivables (continued)

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.12 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.13 Leases

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

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

Finance leases - lessor

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

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

Accounting Policies

1.13 Leases (continued)

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 municipality incurs to acquire the asset on the reporting date.

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

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

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

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

1.15 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.

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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 entity 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 entity 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 entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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 entity 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.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.18 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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.

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

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

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

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

Provisions are not recognised for future operating deficit.

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

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 42.

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

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 an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 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.

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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.

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.22 Revenue from non-exchange transactions (continued)

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.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.23 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.

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

1.25 Accounting by principals and agents

Identification

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

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

1.25 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

1.26 Comparative figures

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

1.27 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).

1.28 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).

1.29 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).

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.31 Segment information

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

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

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.

1.32 Budget information

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

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

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

Accounting Policies

1.32 Budget information (continued)

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

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

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

1.33 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.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact

3. Biological assets

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	2 403 530	-	2 403 530	3 333 867	-	3 333 867

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	3 333 867	(930 337)	2 403 530

Reconciliation of biological assets - 2022

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Depreciation	Prior period error	Total
Biological assets	1 523 134	(252 767)	460 471	(153 429)	1 756 458	3 333 867

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	65 301 000	-	65 301 000	65 301 000	-	65 301 000

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	65 301 000	65 301 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	57 637 000	7 664 000	65 301 000

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.

The valuation was carried out by DDP Values, a company specialising in municipal valuations. The valuation was led by Ms Cornelia Louw, Professional Valuer registered with South African Council for the Property Valuers Profession.

Comparable Sales Method of Valuation
The market approach is based on comparing the subject asset with identical or similar assets (or liabilities) for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset (or liability) within an appropriate time horizon

Accrued Depreciation Method of valuation
With this valuation method, the value of the improvements is calculated by determining new replacement cost less depreciation. Replacement cost refers to the cost of erecting an improvement which has the same utility, attributes and characteristics. Depreciation is calculated on functional obsolescence, physical deterioration and economical obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

The resulting difference is the estimated present value of the improvements. Theoretically, depreciation can begin to accrue from the moment construction is completed even in a building that is functionally the highest and best use of a site.

Notes to the Annual Financial Statements

Figures in Rand

5. 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	74 535 106	-	74 535 106	74 535 106	-	74 535 106
Buildings	43 515 232	(35 024 207)	8 491 025	43 122 223	(34 394 751)	8 727 472
Plant and machinery	11 472 335	(7 589 447)	3 882 888	11 439 970	(6 607 069)	4 832 901
Furniture and fixtures	5 570 213	(3 901 931)	1 668 282	4 615 075	(2 838 543)	1 776 532
Motor vehicles	9 313 353	(4 507 983)	4 805 370	7 052 655	(3 322 134)	3 730 521
Office equipment	891 185	(656 511)	234 674	891 185	(533 384)	357 801
Computer equipment	8 654 553	(3 505 347)	5 149 206	5 414 328	(2 517 260)	2 897 068
Infrastructure	553 455 589	(175 647 377)	377 808 212	557 062 532	(215 607 321)	341 455 211
Community	120 151 523	(65 042 835)	55 108 688	120 151 523	(61 568 692)	58 582 831
Emergency	255 018	(182 846)	72 172	255 018	(150 375)	104 643
Other assets	1 904 527	(716 362)	1 188 165	1 904 527	(586 909)	1 317 618
WIP-Community Assets	32 509 778	-	32 509 778	27 936 969	-	27 936 969
WIP - Road network	33 990 831	-	33 990 831	33 990 831	-	33 990 831
WIP-Electrical Network	4 447 880	-	4 447 880	4 447 880	-	4 447 880
Total	**900 667 123**	**(296 774 846)**	**603 892 277**	**892 819 822**	**(328 126 438)**	**564 693 384**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Change in Estimate	Depreciation	Total
Land	74 535 106	-	-	-	-	74 535 106
Buildings	8 727 472	968 500	-	-	(1 204 947)	8 491 025
Plant and machinery	4 832 901	32 365	-	-	(982 378)	3 882 888
Furniture and fixtures	1 776 532	1 312 938	-	-	(1 421 188)	1 668 282
Motor vehicles	3 730 521	2 250 000	-	-	(1 175 151)	4 805 370
Office equipment	357 801	-	-	-	(123 127)	234 674
Computer equipment	2 897 068	3 240 225	-	-	(988 087)	5 149 206
Infrastructure	341 455 211	51 616 884	(768 501)	11 929 948	(26 425 330)	377 808 212
Community	58 582 831	-	-	-	(3 474 143)	55 108 688
Emergency Equipment	104 643	-	-	-	(32 471)	72 172
Other equipment	1 317 618	-	-	-	(129 453)	1 188 165
WIP-Community Assets	27 936 969	4 572 809	-	-	-	32 509 778
WIP-Road Network	33 990 831	-	-	-	-	33 990 831
WIP-Electrical Network	4 447 880	-	-	-	-	4 447 880
	564 693 384	**63 993 721**	**(768 501)**	**11 929 948**	**(35 956 275)**	**603 892 277**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Change in Estimate	Prior Period Error	Depreciation	Total
Land	76 150 106	-	-	-	-	(1 615 000)	-	74 535 106
Buildings	10 975 865	-	-	-	-	(1 036 914)	(1 211 479)	8 727 472
Plant and machinery	7 855 246	-	(1 659 471)	-	-	(433 191)	(929 683)	4 832 901
Furniture and fixtures	2 467 693	14 200	(34 982)	-	-	-	(670 379)	1 776 532
Motor vehicles	3 803 109	1 800 552	(942 858)	-	-	433 191	(1 363 473)	3 730 521
Office equipment	550 458	-	(49 961)	-	-	-	(142 696)	357 801
Computer equipment	1 083 796	2 538 552	(55 960)	-	-	-	(669 320)	2 897 068
Infrastructure	361 322 779	508 000	-	7 691 218	3 356 865	(57 339)	(31 366 312)	341 455 211
Community	50 952 341	-	-	10 915 294	-	(52 216)	(3 232 588)	58 582 831
Emergency equipment	131 498	-	(946)	-	-	-	(25 909)	104 643
Other equipment	1 495 034	-	(36 763)	-	-	-	(140 653)	1 317 618
WIP-Community Assets	34 279 453	4 572 810	-	(10 915 294)	-	-	-	27 936 969
WIP-Road Network	480 443	33 510 388	-	-	-	-	-	33 990 831
WIP-Electrical Network	8 567 489	3 571 609	-	(7 691 218)	-	-	-	4 447 880
	560 115 310	**46 516 111**	**(2 780 941)**	**-**	**3 356 865**	**(2 761 469)**	**(39 752 492)**	**564 693 384**

Pledged as security

Carrying value of assets pledged as security:

ERF 5673 portion of ERF 506 Vryburg with a carrying value of R was pledged as security for the DBSA Loan.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	9 047 932	26 651 223	35 699 155
Additions/capital expenditure	37 081 997	4 572 809	41 654 806
Transferred to completed items	(7 691 218)	(10 915 294)	(18 606 512)
	38 438 711	**20 308 738**	**58 747 449**

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	84 322 254	26 651 223	110 973 477
Additions/capital expenditure	8 094 262	-	8 094 262
Transferred to completed items	(83 368 584)	-	(83 368 584)
	9 047 932	**26 651 223**	**35 699 155**

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.

6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	1 195 501	-	1 195 501	1 156 001	-	1 156 001
Art Collections, antiques and exhibits	336 500	-	336 500	242 000	-	242 000
Total	**1 532 001**	**-**	**1 532 001**	**1 398 001**	**-**	**1 398 001**

Reconciliation of heritage assets 2023

	Opening balance	Fair value adjustment	Total
Historical buildings	1 156 001	39 500	1 195 501
Art Collections, antiques and exhibits	242 000	94 500	336 500
	1 398 001	**134 000**	**1 532 001**

Reconciliation of heritage assets 2022

	Opening balance	Fair value adjustment	Total
Historical buildings	1 180 981	(24 980)	1 156 001
Art Collections, antiques and exhibits	177 520	64 480	242 000
	1 358 501	**39 500**	**1 398 001**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Payables from exchange transactions

Trade payables	920 998 363	775 488 972
Retentions	8 681 116	5 291 100
Advanced payments	50 135 589	45 122 017
Bonus Accrual	4 158 150	3 823 515
Leave Accrual	22 086 796	30 098 750
Unallocated deposits	75 076 005	60 397 625
	1 081 136 019	**920 221 979**

8. VAT payable

Tax refunds payables	48 793 277	39 089 522

9. Consumer deposits

Electricity	4 248 894	3 893 116
Refuse	2 164 922	1 938 506
Hiring	162 346	175 147
	6 576 162	**6 006 769**

10. Employee benefit obligations

Post-employment medical aid benefits

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

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2023 by Arch Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long-service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. The municipality operates an unfunded defined benefit plan. Under the plan, a long-service award is payable to employees, employed before 1 July 2014, in the form of cash bonuses for every three years of service completed, from six years to 45 years of service. For employees employed as of 1 July 2014 LSA is offered in the of leave days for every five years of service completed, from ten years of service to 45 years of service.

The most recent actuarial valuations of the present value of the obligation at 30 June 2023 was carried out by Arch Actuarial Consulting CC. The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

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

Carrying value		
Present value of the unfunded obligation at the begining of the year	(60 211 000)	(56 025 000)
Net Accturial gains	7 743 184	1 443 000
Current service cost	(4 055 000)	(3 496 000)
Expected vesting service costs	2 978 438	3 312 000
Interest costs	(6 853 000)	(5 445 000)
	(60 397 378)	**(60 211 000)**

Non-current liabilities	(57 322 378)	(57 276 000)
Current liabilities	(3 075 000)	(2 935 000)
	(60 397 378)	**(60 211 000)**

Changes in the present value of the post employment medical aid benefit are as follows:

Present value of unfunded obligation at the beginning of the year	(46 456 000)	(42 618 000)
Acturial gains / losses	7 922 000	1 793 000
Current service costs	(2 854 000)	(2 376 000)
Expected subsidy (benefits) payments	-	1 084 000
Interest costs	(5 440 000)	(4 339 000)
	(46 828 000)	**(46 456 000)**

Changes in the present value of the long service awards liability are as follows:

Present value of unfunded obligation at the beginning of the year	(13 755 000)	(13 407 000)
Acturial gains / losses	(178 816)	(350 000)
Current service costs	(1 201 000)	(1 120 000)
Expected subsidy (benefits) payments	2 266 816	2 228 000
Interest costs	(1 413 000)	(1 106 000)
	(14 281 000)	**(13 755 000)**

Net expense recognised in the statement of financial performance

Current service cost	4 055 000	3 496 000
Interest cost	6 853 000	5 445 000
Actuarial (gains) losses	(7 443 184)	(1 443 000)
Expected benefits vesting	2 266 815	(3 312 000)
	5 731 631	**4 186 000**

Key assumptions used - Post-employement medical aid benefits

Discount Rate used for Medical Aid	12,53 %	11,85 %
Health Care Cost Inflation Rate	8,14 %	8,45 %
Net Discount Rate-PEMA	4,06 %	3,14 %

Key assumptions used - Long Service Award

Discount rate used	11,15 %	10,98 %
General Earning Inflation Rate	6,50 %	7,33 %
Net discount rate	4,36 %	3,40 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

Other assumptions - Post-employment medical aid benefit

	2023	2022
Average retirement age	62	62

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

	2023	2022	2021	2020	2019
Accrued liability	46 828 000	46 456 000	42 618 000	33 511 000	38 028 000

Sensitivity analysis on the Accrued Laibility for the year eding 30 June 2023	**Eligible employees**	**Continuation members**	**Total**
Central assumptions	33 162 000	13 666 000	46 828 000
Health care inflation (+1%)	39 288 000	14 819 000	54 107 000
Health care inflation (-1%)	28 206 000	12 651 000	40 857 000
Discount rate (+1%)	28 419 000	12 696 000	41 115 000
Discount rate (-1%)	39 081 000	14 782 000	53 863 000
Post-employment mortality (+1 yr)	32 327 000	13 197 000	45 524 000
Post-employment mortality (-1 yr)	33 983 000	14 136 000	48 119 000
Average retirement age (-1 yr)	36 827 000	13 666 000	50 493 000
Membership continuation (-10%)	28 740 000	13 666 000	42 406 000
	-	-	-

Sensibility analysis on current service and interest costs for the year ended 30 June 2023	**Current service cost**	**Interest cost**	**Total**
Central assumptions	2 854 000	5 440 000	8 294 000
Health care inflation rate (+1)	3 504 000	6 360 000	9 864 000
Health care inflation rate (-1%)	2 348 000	4 695 000	7 043 000
Discount rate (+1%)	2 387 000	5 119 000	7 506 000
Discount rate (-1%)	3 455 000	5 803 000	9 258 000
Post-employment mortality (+1 yr)	2 774 000	5 276 000	8 050 000
Post-employment mortality (-1 yr)	2 931 000	5 605 000	8 536 000
Average retirement age (-1 yr)	3 098 000	5 856 000	8 954 000
Membership continuation (-10%)	2 474 000	4 897 000	7 371 000
	-	-	-

Other assumptions - Long-service award

Sensitivity analysis on the Unfunded Accrued Liability	**Liability**	**Total**
Central assumptions	14 281 000	14 281 000
General earnings inflation rate (+1%)	15 051 000	15 051 000
General earnings inflation rate (-1%)	13 574 000	13 574 000
Discount rate (+1%)	13 564 000	13 564 000
Discount rate (-1%)	15 074 000	15 074 000
Average retirement rate (+2 yrs)	16 489 000	16 489 000
Average retirement rate (-2 yrs)	12 463 000	12 463 000
Withdrawal rates (x2)	12 083 000	12 083 000
Withdrawal rates (x0.5)	15 715 000	15 715 000
	-	-

10. Employee benefit obligations (continued)

Sensitivity analysis on current service and interest costs for the year ended 30 June 2023	Current service cost	Interest cost	Total
Central assumptions	1 201 000	1 413 000	2 614 000
General earnings inflation rate (+1%)	1 295 000	1 498 000	2 793 000
General earnings inflation rate (-1%)	1 115 000	1 335 000	2 450 000
Discount rate (+1%)	1 125 000	1 454 000	2 579 000
Discount rate (-1%)	1 286 000	1 365 000	2 651 000
Average retirement rate (+2 yrs)	1 355 000	1 647 000	3 002 000
Average retirement rate (-2 yrs)	1 064 000	1 224 000	2 288 000
Withdrawal rates (x2)	901 000	1 164 000	2 065 000
Withdrawal rates (x0.5)	1 415 000	1 577 000	2 992 000
	-	-	-

11. Inventories

		2023	2022
Consumable stores		316 350	177 225
Maintenance materials		5 256	765 976
Water for distribution		-	141 090
		321 606	**1 084 291**

Water for distribution

		2023	2022
Water losses	37	-	141 090

12. Receivables from non-exchange transactions

	2023	2022
Traffic fines	48 558 434	16 078 730
Consumer debtors - Rates	112 197 520	42 750 217
	160 755 954	**58 828 947**

13. Consumer debtors

	2023	2022
Gross balances		
Electricity	159 358 907	142 433 538
Water	140 408 191	136 723 418
Sewerage	108 426 016	105 839 063
Refuse	101 776 384	99 022 617
Housing rental	28 870 373	23 148 299
	538 839 871	**507 166 935**
Less: Allowance for impairment		
Electricity	(106 421 320)	(106 421 320)
Water	(124 338 660)	(106 314 110)
Sewerage	(78 154 927)	(78 154 927)
Refuse	(72 051 397)	(72 051 397)
Housing rental	(18 542 297)	(18 542 297)
Other (specify)	(978 800)	-
	(400 487 401)	**(381 484 051)**

Figures in Rand	2023	2022

13. Consumer debtors (continued)

Net balance		
Electricity	52 937 587	36 012 218
Water	16 069 531	30 409 308
Sewerage	30 271 089	27 684 136
Refuse	29 724 987	26 971 220
Housing rental	10 328 076	4 606 002
Other (specify)	(978 800)	-
	138 352 470	**125 682 884**

Electricity		
Current (0 -30 days)	5 479 627	6 110
31 - 60 days	2 867 494	3 501 108
61 - 90 days	2 237 390	2 867 494
91 - 120 days	2 673 679	2 237 390
>121 days	129 177 021	111 919 750
Allowance for impairment	(89 497 624)	(84 519 634)
	52 937 587	**36 012 218**

Water		
Current (0 -30 days)	3 180 901	610 580
31 - 60 days	2 394 293	569 052
61 - 90 days	3 124 366	2 394 293
91 - 120 days	2 713 057	3 124 366
>121 days	126 297 936	113 548 550
Allowance for impairment	(121 641 022)	(89 837 533)
	16 069 531	**30 409 308**

Sewerage		
Current (0 -30 days)	2 363 990	4 951
31 - 60 days	2 039 005	1 023 029
61 - 90 days	1 938 631	2 039 005
91 - 120 days	1 917 265	1 938 631
>121 days	97 584 160	83 623 756
Allowance for impairment	(75 571 962)	(60 945 236)
	30 271 089	**27 684 136**

Refuse		
Current (0 -30 days)	2 156 443	4 656
31 - 60 days	1 806 723	902 783
61 - 90 days	1 715 056	1 806 723
91 - 120 days	1 697 757	1 715 056
>121 days	91 649 254	83 793 543
Allowance for impairment	(69 300 246)	(61 251 541)
	29 724 987	**26 971 220**

Housing rental		
Current (0 -30 days)	121 591	138 025
31 - 60 days	137 270	174 395
61 - 90 days	121 991	128 835
91 - 120 days	133 211	125 233
>121 days	22 634 236	20 213 699
Allowance for impairment	(12 820 223)	(16 174 185)
	10 328 076	**4 606 002**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Consumer debtors (continued)

Other (specify)		
> 365 days	(978 800)	-

Summary of debtors by customer classification

Total		
> 365 days	230 279 561	125 682 884
	230 279 561	125 682 884
Less: Allowance for impairment	(91 927 091)	-
	138 352 470	**125 682 884**

Less: Allowance for impairment		
> 365 days	(400 487 401)	(381 484 051)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(381 484 051)	(381 484 051)
Contributions to allowance	(19 003 350)	-
	(400 487 401)	**(381 484 051)**

14. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	205 990 725	136 543 422
Less: Allowance for impairment		
Consumer debtors - Rates	(93 793 205)	(93 793 205)
Net balance		
Consumer debtors - Rates	112 197 520	42 750 217
Rates		
> 365 days	112 197 520	42 750 217

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance	24 905 344	18 707 540

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA- (Primary bank account) Current account 40-7028-2707	5 042 022	2 065 218	13 348 493	24 676 334	2 065 218	13 348 493
ABSA - Gold account 40-8587-6208	484 467	413 545	4 556 446	-	413 545	4 556 446
ABSA-CAL-LACC 40-9402-1220-Library Grant Call Account	30 713	30 329	1 188 574	-	30 329	1 188 574
ABSA-CALL-ACC-40-9402-1408-EPWP Call Account	38 520	32 354	489 568	-	32 354	489 568
ABSA-CALL-ACC-40-9402-1589-INEP Call Account	92 391	3 418 677	2 966 564	-	3 418 677	2 966 564
ABSA-CALL-ACC-40-9402-1872-District Conditional Grant call account	54 399	2 506 810	889	-	2 506 810	889
ABSA-MSIG Call Account-40-9402-1589	-	-	1 087	-	-	1 087
ABSA-CALL-ACC-40-9402-2111-FMG Call account	83 540	507 827	3 404 071	-	507 827	3 404 071
ABSA-CALL-ACC-40-9402-2315-MIG Call account	74 058	7 321 643	17 702 765	-	7 321 643	17 702 765
ABSA-IDC Grant Call Account-40-9402-2446	-	-	1 025	-	-	1 025
ABSA-CALL-ACC-40-0493-7311	428 327	-	-	-	-	-
ABSA-CLAS-BUS-41-0549-8081	20 336	-	-	-	-	-
ABSA-Smart Meter project Call account 40-9402-1872	-	-	630	-	-	630
ABSA-Energy Efficiency and demand side management grant Call account 40-9402-2535	-	-	126	-	-	126
FNB- Current account 54160030382	169 326	378 386	283 551	-	378 386	283 551
FNB- Gold account 62543367397	174 697	135 336	320 897	-	135 336	320 897
FNB- Fixed deposit 70416052060	7 900	7 900	7 900	-	7 900	7 900
ABSA- LGSETA Call account 4094020761	-	-	1 157	-	-	1 157
ABSA- Equitable share Call account 4094021000	495	1 642 466	6 382 732	-	1 642 466	6 382 732
Total	**6 701 191**	**18 460 491**	**50 656 475**	**24 676 334**	**18 460 491**	**50 656 475**

16. Revaluation reserve

	2023	2022
Opening balance	2 470 085	2 470 085
Change during the year	6 627 086	-
	9 097 171	**2 470 085**

Figures in Rand	2023	2022

17. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	133	(2)
Intergrated National Electrification Programme	(62)	656 938
IDC Grant	2 066 616	2 066 616
Financial Management Grant	(7 822)	-
Disaster Grant	-	1 701 985
	2 058 865	**4 425 537**

Movement during the year

Income recognition during the year	2 058 865	4 425 537

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 for reconciliation of grants from National/Provincial Government.

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

18. Other financial liabilities

At amortised cost		
DBSA loan The loan accrues interest at a fixed rate, interest on default is charged at 9% and is capitalised every month. The loan isrepayable in monthly instalments of R300 000.00 over 5.92 years, however the municipality has been repaying the loan at R500 000.00 monthly in order to adjust for the previsouly overdue on the loan account. The loan will be settled within 12 months in the coming financial year	994 145	7 141 491

Current liabilities		
At amortised cost	994 145	7 141 491

Figures in Rand	2023	2022

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in estimates	Total
Environmental rehabilitation	36 386 104	2 183 165	11 929 949	50 499 218

Reconciliation of provisions - 2022

	Opening Balance	Interest	Change in Estimate	Total
Environmental rehabilitation	32 394 944	634 295	3 356 865	36 386 104

	2023	2022
Non-current liabilities	13 334 169	6 614 762
Current liabilities	37 165 049	29 771 342
	50 499 218	**36 386 104**

The Municipality has the obligation to rehabilitate the landifll sites of Naledi.The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites.
The provision is recognised at the present value of the expenditure. The valuation of the landfill site provision was done by Ekolaw Consulting, on behalf of PMT Management Consulting , a company which in environmental consultancy services to municipalities and the professional valuator on the project was Adv. Coen Herbst, with extensive experience and expertise relevant for this type of work.
The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value.
Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted..

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

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

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

20. Revenue

	2023	2022
Service charges	209 688 978	207 738 869
Rental of facilities and equipment	1 880 212	1 664 201
Licences and permits	1 488 049	2 747 706
Other income	3 053 334	3 986 850
Interest received - investment	34 492 020	23 899 974
Property rates	78 806 376	64 115 676
Government grants & subsidies	119 302 572	103 385 913
Public contributions and donations	2 250 000	-
Traffic fines	33 257 600	3 690 050
	484 219 141	**411 229 239**

Figures in Rand	2023	2022

20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	209 688 978	207 738 869
Rental of facilities and equipment	1 880 212	1 664 201
Licences and permits	1 488 049	2 747 706
Other income	3 053 334	3 986 850
Interest received - investment	34 492 020	23 899 974
	250 602 593	**240 037 600**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	78 806 376	64 115 676
Transfer revenue		
Government grants & subsidies	119 302 572	103 385 913
Public contributions and donations	2 250 000	-
Traffic fines	33 257 600	3 690 050
	233 616 548	**171 191 639**

21. Service charges

Prepaid Electricity	70 372 803	69 022 265
Sale of electricity-Conventional	59 466 489	59 939 643
Sale of water	29 116 637	28 791 761
Sewerage and sanitation charges	26 428 100	25 986 953
Refuse removal	24 304 949	23 998 247
	209 688 978	**207 738 869**

22. Rental of facilities and equipment

23. Licences and permits

Licences and Permits	1 488 049	2 747 706

24. Other income

Clearance Fees	174 235	458 350
Tender Documents	176 090	198 586
Entrancen Fees	13 378	18 056
Advertising	10 318	5 284
Cementry fees	386 704	499 498
Building Plans	326 037	248 726
Rezonning Fees	224 673	268 978
Connection and Reconnection fees	85 173	244 762
Admnistration, management fees and Other	1 656 726	2 044 610
	3 053 334	**3 986 850**

Figures in Rand	2023	2022

25. Interest income

Interest income		
Sewerage	6 538 573	5 250 221
Interest Income from Bank	766 618	1 221 856
Electricity	11 543 651	5 614 024
Water distribution	8 293 520	6 847 124
Solid waste refusal	6 319 308	4 966 749
Interest on Property Rentals	1 030 350	-
	34 492 020	**23 899 974**

26. Interest from non-exchange receivables

Interest - Assessment Rates	7 745 123	3 992 036

27. Property rates

Rates received

Residential	18 614 619	18 549 788
Commercial	19 910 010	20 184 598
State-owned Properties	29 628 975	14 078 493
Industrial Properties	3 070 267	2 872 736
Agricultural properties	7 582 505	8 430 061
	78 806 376	**64 115 676**

Figures in Rand	2023	2022

28. Government grants & subsidies

Operating grants		
Equitable share	63 237 126	58 599 835
Municipal Finance Management Grant	2 864 346	2 550 000
Expanded Public Works Programme	1 218 737	1 379 000
	67 320 209	**62 528 835**
Capital grants		
Municipal Infrastructure Grant	43 823 000	33 914 002
Intergrated National Electrification Programme	6 457 000	4 251 061
Municipal Disaster Recovery Grant	1 702 363	2 692 015
	51 982 363	**40 857 078**
	119 302 572	**103 385 913**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	50 237 994	44 786 076
Unconditional grants received	66 663 209	58 599 835
	116 901 203	**103 385 911**

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Financial management grant

Current-year receipts	2 850 000	2 550 000
Conditions met - transferred to revenue	(2 850 000)	(2 550 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

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

Expanded public works programmes

Balance unspent at beginning of year	-	129 557
Current-year receipts	1 214 000	1 379 000
Conditions met - transferred to revenue	(1 214 000)	(1 379 000)
Offsetting of unspent grants against equiatable share	-	(129 557)
	-	-

Conditions still to be met - remain liabilities (see note 17).

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	(2)	11 779 184
Current-year receipts	43 823 000	33 914 000

Figures in Rand	2023	2022

28. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(43 823 000)	(33 914 000)
Offsetting of unspent grants against equitable share	135	(11 779 186)
	133	**(2)**

Conditions still to be met - remain liabilities (see note 17).

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

Intergrated National Electrification Programme

Balance unspent at beginning of year	656 938	64 090
Current-year receipts	6 457 000	4 908 000
Conditions met - transferred to revenue	(6 457 000)	(4 251 062)
Offsetting of unspent grants against equitable share	(657 000)	(64 090)
	(62)	**656 938**

Conditions still to be met - remain liabilities (see note 17).

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

IDC Grant

Balance unspent at beginning of year	2 066 616	2 066 616

Conditions still to be met - remain liabilities (see note 17).

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

Grant 11

Other	(7 822)	-

Conditions still to be met - remain liabilities (see note 17).

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

Disaster Relief Grant

Balance unspent at beginning of year	1 701 985	1 701 985
Conditions met - transferred to revenue	(1 701 985)	-
	-	**1 701 985**

Conditions still to be met - remain liabilities (see note 17).

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

29. Traffic fines

Fines	33 257 600	3 690 050

Figures in Rand	2023	2022

30. Employee related costs

Basic	151 405 698	131 835 410
Bonus	12 324 913	14 787 472
Medical aid - company contributions	11 021 607	9 975 546
UIF	1 322 374	1 120 201
WCA-Bargain Council	80 718	77 816
SDL	1 947 643	1 733 966
Standby Allowance	574 456	9 015
Leave pay provision charge	(6 311 330)	5 219 831
Scarcity Allowance	454 335	545 170
Current Service Cost	4 055 000	184 000
Shift Allowance	2 332 550	2 132 985
Travel, motor car, accommodation, subsistence and other allowances	12 439 846	11 022 511
Overtime payments	11 537 887	11 073 631
Long-service awards	2 266 816	2 122 712
Acting allowances	718 620	751 807
Housing benefits and allowances	1 528 378	2 500 982
Pension	24 350 004	21 776 396
Uniform Allowance	444 000	456 000
Cellphone Allowance	412 418	383 710
	232 905 933	**217 709 161**

Remuneration of Municipal Manager

Annual Remuneration	913 068	846 504
Rural Allowance	35 188	36 650
Contributions to UIF, Medical and Pension Funds	10 459	12 410
Pension Fund and housing allowances	123 387	309 027
	1 082 102	**1 204 591**

Municipal Manager from 1 July 2022 to 31 October 2022, contract ended. Re-appointed effective 13 March 2023.

Remuneration of Chief Finance Officer

Annual Remuneration	1 063 463	1 123 217
Rural Allowance	45 339	47 729
Bonus	94 455	70 000
Contributions to UIF and SDL	14 248	14 369
Telephone allowance	9 000	9 000
	1 226 505	**1 264 315**

Remuneration of Community Services Director

Annual Remuneration	1 063 463	1 327 532
Rural Allowance	45 339	58 883
Bonus	94 455	70 000
Contributions to UIF and SDL	14 248	16 524
Telephone Allowance	9 000	9 000
	1 226 505	**1 481 939**

Remuneration of Corporate Services Director

Annual Remuneration	860 475	1 266 251
Rural Allowance	45 339	60 417
Bonus	94 455	70 000
Contributions to UIF and SDL	11 908	15 819

Figures in Rand	2023	2022

30. Employee related costs (continued)

Medical aid and pension fund allowances	201 285	145 410
Telephone allowance	9 000	9 000
	1 222 462	**1 566 897**

Remuneration of Technical Services Director

Annual Remuneration	1 063 463	1 471 678
Rural Allowance	45 339	63 398
Bonus	94 455	70 000
Contributions to UIF and SDL	14 745	18 193
Telephone allowance	9 000	9 000
Acting Allowance	49 686	18 244
	1 276 688	**1 650 513**

Acted as Municipal Manager from 1 November 2022 to 12 March 2023.

31. Remuneration of councillors

Mayor	978 995	844 436
Former Mayor	-	228 166
Speaker	787 504	474 652
Mayoral Committee Members	2 175 658	1 949 390
Councillors	4 479 305	4 642 401
	8 421 462	**8 139 045**

32. Depreciation and amortisation

Property, plant and equipment	34 931 343	41 626 858

33. Finance costs

Interest	66 324 951	36 142 734

34. Auditors' remuneration

Fees	5 477 938	6 683 895

35. Debt impairment

Debt impairment	18 024 550	14 962 061

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. General expenses

Advertising	222 720	80 599
Auditors remuneration	5 477 938	6 683 895
Bank charges	1 078 454	490 028
Computer expenses	577 323	580 930
Consumables	8 433 373	3 978 152
Entertainment	-	7 000
Fines and penalties	650	-
Hire Charges	1 920 896	2 048 549
Insurance	2 164 792	1 660 126
Conferences and seminars	1 175 525	489 282
Motor vehicle expenses	225 422	253 269
Fuel and oil	3 808 357	2 606 196
Postage and courier	-	848
Subscriptions and membership fees	2 461 004	2 188 801
Telephone and fax	7 189 350	4 436 817
Travel - local	3 443 820	748 692
Title deed search fees	2 824	3 427
Uniforms	-	1 059 608
Eskom Own Consumption Expenditure	2 863 663	1 531 172
Ward Committee	1 005 960	1 174 630
Repairs and maintanance	54 111	48 554
Bursaries	3 305 474	288 979
	45 411 656	**30 359 554**

37. Bulk purchases

Electricity - Eskom	114 873 379	115 800 326

Electricity losses

38. Contracted services

Outsourced Services		
Administrative and Support Staff	4 948 985	524 611
Catering Services	506 076	671 168
Personnel and Labour	14 039 716	12 099 369
Electrical	2 288 816	2 115 783
Consultants and Professional Services		
Business and Advisory	14 388 449	20 550 111
Legal Cost	6 897 967	6 417 801
Contractors		
Abstraction costs	100 942	109 416
Maintenance of Buildings and Facilities	70 631	1 547 820
Repairs and Maintenance	533 613	1 652 834
Safeguard and Security	16 742 093	12 340 127
	60 517 288	**58 029 040**

39. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(768 501)	-
Depreciation on property, plant and equipment	34 931 343	41 626 858
Employee costs	241 327 395	225 848 206

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Fair value adjustments

Investment property (Fair value model)	-	6 627 086
Biological assets - (Fair value model)	(407 599)	(3 728 710)
Heritage Assets-(Fair value model)	134 000	-
	(273 599)	**2 898 376**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property Plant and Equipment	61 767 659	20 246 026
• Prior Year Correction	-	(3 129 179)
	61 767 659	**17 116 847**

Total capital commitments		
Already contracted for but not provided for	61 767 659	17 116 847

Total commitments

Total commitments		
Authorised capital expenditure	61 767 659	17 116 847

Figures in Rand	2023	2022

42. Contingencies

Contingent liabilities

Plaintiff claimed from the Naledi Local Municipality a total amount of R509 992,62 plus interest and cost. A plea was filed and furthermore our opponents did their discovery affidavit.	509 992	509 993
Matter is defended. Plaintiff has been appointed to assist the Municipality with VAT Recovery. Waiting for a trial date.	897 417	897 417
Naledi Mun / MP Nthali Plaintiff claimed R2 000 000,00 as a result of the fact that she fell on 14/7/14.	2 000 000	2 000 000
Naledi Local Municipality / Erante Consultants CCThe plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R1 301 281.20	2 898 795	2 898 796
This action was instituted by the plaintiff on 4/7/2018. Notice of intention to defend was filed on 12/7/2018. Since the nothing has transpired. There was criminal proceedings instituted but the 2nd defendant, Sipho Masilo was found not guilty.	200 000	200 000
H.B. Macala/ Naledi Local Municipality-Plaintiff claims interest in terms of section 28(1)(a)(i) of the alienation of Land Act 68 of 1981 for payments paid to the Municipality and that was to be refunded.	65 772	65 772
Plaintiff is claiming for an amount of R21 934, 48 for damages suffered for the repairs on her vehicle following a collision with a pothole at Hoffman Galeng Street.	21 934	21 943
Municipality was summoned base on delict for damages to a motor vehicles that was involved in a collision with a pothole.	62 357	62 357
Applicants applying for an order directing the MEC to place the Municipality under administration and to appoint Special Master to administer the finances of the Municipality in relation to revenue generated from distribution of bulk services. Matter is being defended albeit the fact that there is no Council resolution to that effect	3 660 426	-
Municipality was summoned for an amount of R72127,90 based on delict for a collision between a motor vehicle and a pothole.	72 127	72 127
Naledi was summoned herein for damages to a damages to a vehicle that drove through a pothole.	16 090	16 090
Municipality as well as sub contractor was summoned based on delict for a structure that was removed and secondly due to the fact that the plaintiff makes the averment that he was assaulted by the sub contractor.	171 000	171 000
In this matter the plaintiff claimed an amount of R17 490,64. The matter is opposed and we did defend and asked for certain information.	17 491	17 491
Plaintiff's claim is based on delict for bodily injuries and medical expenses due to the faact that he fell in a hole.	800 000	800 000
Review and setting aside of an administrative decision to award Tender: NLM2021-009A: provision of Panel for Financial Services for 3 Years to the Second Respondent.	1 291 999	-
GM Molale-Plaintiff claiming an amount of R175 653,16 for damages suffered as a result of collision with a pothole.	175 653	-
Plaintiff, Mr. Makwati suing the municipality and Municipal Manager for defamation of character.	274 178	-
VANDANEX (PTY) LTD // NALEDI LM Plaintiff alleges that the Municipality was over-paid when applications for clearance certificates were made.	109 249	-
Naledi LM/ African Hotel Dev. PTY LTD t/a Onomo Hotel Durban-Plaintiff summoned the Municipality for certain accomodation in Durban which is supposed and wee filed a plea in this regards. Since filing the plea on 25/2/21 nothing further has transpired.	35 000	25 000
Naledi LM/ Karenza Erasmus-The Municipality was summoned herein for an amount of R8059,85. The claim is based on delict in that was alleged that the Municipality did not maintain the roads and as a result of a pothole the plaintiff sustained	8 060	8 060
Naledi LM/ Joherda Electrical Contractors- The Plaintiff instituted action against the Municipality for an amount of R105 147,80 for services rendered.	105 148	105 148
Malankane Engineers is claiming an amount of R1 219 910,25 plus interest and costs from the Municipality.	1 219 910	1 219 910
Naledi LM/ Vryburg Truck & Auto CC- Plaintif instituted action against the Municipality for a total amount of R399 000,00 plus interest and costs.	399 000	399 000
Telkom SA SOC-Damages to cables that was damaged by Municipality however since the plea was filed on 11/8/15 nothing transpired.	31 619	31 619

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Contingencies (continued)

NALEDI LM/ LEEMAT CONSOLIDATED. Municipality was summoned for R2 107 232,25	2 107 232	-
Kelesite Beauty Baatege & 3 others Claims for damages arising from loss of livestock owing to contaminated sewage water.	4 723 360	4 041 960
	21 873 809	**13 563 683**

Contingent assets

Reitum Investments & 4 others-Application to declare the valuation, sale, transfer and registration of a portion of land described as certain portion of (remainder extent) of erf 506 Vryburg, measuring approximately 100 000m² to be unlawful, invalid and	2 047 260	1 875 000
NALEDI LM and MT Segapo/ F. Pestana & Best ever Trading 542 CC-In this matter summons was issued against Pestana and Best Ever Trading. The amounts claimed herein is Claim A- R5 102 774,45, Claim B- R496 155,68,	5 598 930	5 598 930
NLM want to issue summons against charmakor for the illegal electricity connection and usgae, the Municipality been asked to quantify the amount of the claim and issue Charmakor with the statement to enable us to claim and that has not happened, there are delays in attending to this matter from the Municipality side.,	168 961	-
Naledi Local Municipality / Erante Consultants CC. The plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R13 012 181,20 . The matter was defended in 2012 and the defandant also filed a counterclaim for an amount of R 192 000	192 000	192 000
Cathey Construction vs Naledi Local Municipality. Municipality is claiming an amount of R 92 700 for goods paid for but not delivered	-	97 200
	8 007 151	**7 763 130**

43. Prior period errors

Property Plant and Equipment was adjusted with an amount of R 3 026 796, due to incorrect journal posted in the prior year resulting in the correction of Opening balances), Furthermore there was an incorrect payment certificate amounting to R327 486.43 which was a commitment balance not a payment [

During 2021-2022 financial year Gross Receivables from both Exchange and Non-exchange Trasactions did not agree with the Agining Analysis which serves as a source of recording Receivables resulting in a qualification parapgraph These errors have been corrected from the opening balance of 01 July 2021 which was deemed as the earliest period for the prioir year correction.

Payables from exchange transactions were understated in the prior resulting in a qualification paragraph the effect of the restated balances are reflefected below

Landfill site Provision stated at R 36 386 104 in the prior was understated on the Trial Balance and the General Ledger by an amount of R3 996 798.00 between the AFS and the TB. The error was corrected on the TB to align the balances

During the year under review Leave Provision for prior year was incorrectly disclosed as R23 955 707 as a results of incorrect calculation for the leave. The error has been corrected and restated below]

During the year under review Bonus Provision was incorrectly stated as R 7 315 019 on the audited financial statements as a result of incorrect calculation, the reculaculations were performed and the error has been corrected

Trade Payables was undertstated in the prior year due to completeness supporting schedules, the errors have been corrected refer to the note below.

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

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

44. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Receivables from non-xchange Transaction		56 971 136	1 857 811	58 828 947
Receivables from Exchange Transaction		126 678 296	(995 412)	125 682 884
Property, Plant and Equipment		570 303 716	(327 487)	569 976 229
Cash and cash equivalents		18 460 491	247 049	18 707 540
Leave Provision	7	(23 955 707)	(6 143 043)	(30 098 750)
Bonus Provision	7	(7 315 019)	3 491 503	(3 823 516)
Payables from Exchange transactions	7	(659 830 198)	(51 127 006)	(710 957 204)
		81 312 715	**(52 996 585)**	**28 316 130**

Statement of financial performance

2022

45. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	413 597 886	353 524 553
Add: Unauthorised expenditure - current	72 749 062	60 073 333
Closing balance	**486 346 948**	**413 597 886**

46. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	224 823 657	208 993 390
Add: Correction of error	-	(13 337 290)
Add: Fruitless and wasteful expenditure identified - current	58 119 632	29 167 557
Closing balance	**282 943 289**	**224 823 657**

46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Eskom bulk accounts	Under investigation	54 302 346	26 357 236
SARS penalties and interests	Under investigation	600 317	454 882
DBSA - Interest on late payments	Under investigation	352 654	810 587
COIDA - Interest on late payments	Under investigation	386 604	270 362
Auditor General - Interest on late payments	Under investigation	1 638 448	874 555
Department of water and sanitation	Under investigation	213 154	209 757
Eskom small accounts - interest on late payments	Under investigation	77 000	120 476
Other creditors - Interest on late payments	Under Investigation	549 107	69 699
		58 119 630	**29 167 554**

Disciplinary steps taken/criminal proceedings

No investigation has been finalised hence no disciplinary steps have been taken.

47. Irregular expenditure

Opening balance as previously reported	342 876 315	239 454 664
Add: Correction of error	-	27 133 929
Add: Irregular expenditure - current	44 029 658	62 005 158
Add: Irregular expenditure - Prior period	26 346 963	14 282 564
Closing balance	**413 252 936**	**342 876 315**

47. Irregular expenditure (continued)

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

Competitive bidding processes not followed to the satisfaction of the SCM Policy and other applicable legislation	58 232 516	63 357 083
Three written quotations not invited	11 814 058	12 930 638
Payments done in excess of prescribed remuneration thresholds for political office bearers	70 699	-
Payments on in excess of the variation as prescribed by legislation	259 347	-
	70 376 620	**76 287 721**

48. 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 accounting officer and includes a note to the annual financial statements..

Deviations		
Exceptional cases	4 249 121	2 170 790
Emergency	3 764 039	3 639 916
Sole Provider	283 297	116 364
	8 296 457	**5 927 070**

49. Segment information

General information

Figures in Rand	2023	2022

49. Segment information (continued)

Identification of segments

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

50. Other revenue

Other income	3 053 334	3 986 850

51. Public contributions and donations

Motor Vehicle-UD Truck CWE Quester 330 received from Department of Forestry, Fisheries and Environment	2 250 000	-

The above donation is not attached to any conditions

52. Cash generated from operations

Deficit	(82 745 214)	(103 206 128)
Adjustments for:		
Depreciation and amortisation	34 931 343	41 626 858
Other non-cash item	768 501	-
Fair value adjustments	273 599	(2 898 376)
Debt impairment	18 024 550	14 962 061
Movements in retirement benefit assets and liabilities	186 378	4 243 659
Movements in provisions	14 113 114	3 991 160
Changes in working capital:		
Inventories	762 685	140 003
Consumer debtors	(30 694 136)	(77 701 969)
Other receivables from non-exchange transactions	(101 927 007)	(5 477 614)
Provisions	160 914 040	195 107 316
Employee benefit obligation	9 703 755	70 555 372
Unspent conditional grants	(2 366 672)	(9 613 913)
Consumer deposits	569 393	(500 634)
	22 514 329	**131 227 795**

53. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report
Members of Key Management	Refer to Employee Related Cost Note 32
Councilors	Refer to Note 33
Close family member of key management	DM Bareng (Daughter to Bareng AN

DM Bareng is no longer a Councilor for the year under review

Related party balances

Salaries paid to related parties of Councilors and Key Management		
DM Bareng (Daughter to Bareng AN)	226 111	194 792
AG Groep (Elder brother to CJ Groep)	498 914	480 703
Q Groep (Twin Brother to CJ Groep)	310 319	160 596

54. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meerting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality has a DBSA loan which was restructured in 2016 due to non-payment by the municipality. The municipality has managed to repay the loan and as at 30 June 2023 the loan balance was R994 145. The municipality owes Eskom over R791 million due to non-payment of the Eskom account and as at year end the municipality committed to apply for the Eskom Debt Relief as per the MFMA Circular No. 124 of the National Treasury.
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54. Material losses through criminal conduct (continued)

Credit risk

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

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.

ERF5673 portion of ERF 506 Vryburg with a fair value of R26 430 000 was pledged as security for DBSA loan.This loan will be settled within 12 months in the upcoming financial year as the remaining balance due is R 994 000.00.

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

Financial instrument	2023	2022
Receivables from exchange transactions	166 919 806	125 682 884
Receivables from non-exchange transactions	123 773 938	58 828 947
Cash and Cash Equivalent	24 905 344	18 460 491

There were no changes in the approach on how credit risk is managed during the period under review. .

Cash and Cash Equivalents
Deposits of the municipality are only held by reputable banks. There are no restrictions on the deposists held, no cash was pledged as secirity

Credit risk is further managed and guided by the Cash Management and Investment Policy.

Receivables from Exchange Transactions
Receivables comprise of a large number of local users. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderated due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors, the municipality effectively has the right to terminate services to consumers but in practice this is difficult to apply.

For accounts that are in arrears the municipality encourages settlement by "levying of penalty charges" demand for payment and as a last resort "handing over to lawyers", whichever procedure is applicable in terms of Council's credit control and debt collection policy

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable. Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from Poaching (theft) and the potential spread of Diseases of wild animals in the nature reserve

Figures in Rand	2023	2022

54. Material losses through criminal conduct (continued)

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2023 and 2022, the municipality's borrowings at variable rate were denominated in the Rand value.

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

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Interest Rate Risk

Financial Instrument	**2023**	**2022**
Cash and Cash Equivalent	24 905 344	13 625 922
Long-term Borrowings	(994 145)	(7 141 491)
	23 911 199	**6 484 431**

55. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated deficit of (262 088 053) and that the municipality's total liabilities exceed its assets by (252 990 882).

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

The following indicators have a negative outlook on the going concern of the municipality:
The municipality had a deficit during the year under review. The municipalitys current assets to current liabilty ratio pauses a material uncertanity on the municipalitys going concern. Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Contingent Liabilities – Naledi Local Municipality has disclosed Contingent Liabilities in the 2022/2023 Financial year. Should the outcome of the cases not be favouable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entities ability to continue as a going concern.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.The municipality is adequately funded by National Government to continue its operations.

Where applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. In line with debt collection management has proposed incentive scheme to encourage consumer payment of services. Management has developed the UIF and W reduction strategy and reviewing the current financial plan for adoption by

55. Events after the reporting date (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality is in a possesion of the Financial Recovery Plan through Section 139 (a) and (c) of the MFMA .

The municipality is in a process of applying for Debt Relief with Eskom which will boast the ability of the municipality to continue as a going concern. At year end the municipality owed Eskom R791 000 000.00

The municipality is in a process of converting conventional meters to smart prepaid meters to assist with boasting collection, this is being done through the INEP programme.

The municipality is in a process of enforcing the Service Level Agreement with Dr Ruth District Municipality to ensure that operational costs relating to Water Services are covered by the District as well as receiving an Agency Fee for service being provided.

56. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

***Refer to reconciling notes in the annual report**

57. In-kind donations and assistance

	2023	2022
Motor Vehicle-UD Truck CWE Quester 330 received from Department of Forestry, Fisheries and Environment		
Public contributions and donations	2 550 000	-

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Opening balance	12 797 866	12 383 065
Current year subscription / fee	2 504 846	2 188 801
Amount paid - current year	(6 950 000)	(1 774 000)
	8 352 712	**12 797 866**

Audit fees

	2023	2022
Opening balance	15 455 425	14 044 390
Current year subscription / fee	5 481 505	6 683 895
Current year Interest on Outstanding	1 638 448	874 555
Amount Paid-current year	(4 528 441)	(6 147 416)
	18 046 937	**15 455 424**

PAYE and UIF

	2023	2022
Current year subscription / fee	35 320 118	29 380 862
Amount paid - current year	(35 920 435)	(29 380 862)
Amount paid - Interests and Penalties	600 317	-
	-	-

Pension and Medical Aid Deductions

	2023	2022
Current year subscription / fee	55 898 096	49 530 430
Amount paid - current year	(55 898 096)	(49 530 430)
	-	-

Figures in Rand	2023	2022

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

VAT

	2023	2022
VAT payable	48 793 277	39 089 522

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

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mr JA Adonis	268	-	268
Mr PGC Gulane	2 263	238 342	240 605
Mr LC Jacobs	-	255	255
Ms PI Selotlego	2 263	135 488	137 751
Ms VR Morakile	220	9 353	9 573
Ms N Tunyiswa	2 263	156 699	158 962
Mr WH Brits	55 503	3 081 596	3 137 099
Van Huyssteen H &CB	1 290	-	1 290
Matshidiso KA	1 373	15 378	16 751
Mgida AM	-	74	74
Moncho MZM	2 263	51 566	53 829
	67 706	**3 688 751**	**3 756 457**

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mr CJ Groep	4 268	4 688	8 956
Mr JA Adonis	246	-	246
Mr WH Brits	-	1 850	1 850
Mr PGC Gulane	2 033	198 144	200 177
	6 547	**204 682**	**211 229**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

59. Budget differences

Material differences between budget and actual amounts

59. Budget differences (continued)

59-1 Loadshedding as a factor has affected the consumption of electricity by consumers thus the under performance in terms of service charges related to electricity.
The increase in number of indigent household negatively affected revenue performance of the municipality for all the services.Water distribution being affected due to loadshedding.
59-2 The difference is below 5% thus no explanation required.
59-3 Shortfall in revenue collection due to the current economic conditions that has resulted in unemployment and a rise in inflation.
59-4 Licenses and permits had a decrease due to the variation on the MOA where the Municipality involuntarily opted to pay the debt it has with the Dept of Transport with the monies that were due to the Municipality.
59-5 Other income decreased in the current year due to a decrease in the issuing of clearance certificates, selling of tender documents, the connection and reconnection fees e.t.c which the Municipalioty does not have control over.
59-6 Lack of sound financial management practices where payments are held to a maximum of 30 days, collections are expedited and monies retained for lengthy periods in the bank.
59-7 . Property rates increased in the current year due to new properties being built and more business properties being upgraded through out the town, where the values of the properties increased significantly resulting in an increase in the billing of proprties.
59-8 Interest from non-exchange transactions increased due to the non-payment from rate payers and cumulative debt balance.
59-9 Government grants and subsidies increased in the cuurent yesr due to additional MIG grant funding that was not adjusted within the stipulated timeframe of 60 days as a result of the delay in council processes.
59-10 Public contributions and donations increased in the current year as a result of the unanticipated donotion of a truck that was not adjusted within the stipulated timeframe of 60 days as a result of the delay in council processes.
59-11 Fines, Penalties and Forfeits increased in the current year as a result of the function being outsourced to a private firm tasked with the enforcement of the municipal by laws for road use.
59-10 Employee Related costs reduced in the current year due to cost containment measures on all authorised overtime and other allowances as outlined in the financial plan.
59-12 Remuneration of councillors increased as a result of the backpay in the councillor's upper limits as applied in the prior years.
59-13 The deacrese in Transfers and grants is as a result of the Municipality not awarding any transfers or donations to any party as no requests were received in the current year
59-14 Depreciation and amortisation decreased as compared to the budget as the Municipality did not encounter any significant impairment on classes of asstes.
59-15 Finance costs increased in the current year due to none payment of outstanding creditors as a result of an unfavourable fincial position for the Municipality.
59-16 Bulk purchases decreased in the current year as compared to the prior year actual due to the impact of loadshedding. However, the overspending was as a result of the Municipality under budgeting as it was anticipated that loadshedding would have an impact in the bulk purchases expenditure.
59-17 Other expenses decreased due to the implementation of cost containement measures and the implementation of the finacial recovery plan of the Municipality
59-18 None as item not budgeted for.
59-19 None as item not budgeted for
59-20 The decrease is as a result of cost containment measures that resulted in less inventory purchases than anticipated and the rapid spending of inventory on hand due to the municipality implementing programs on roads patching and electrical maintenance amongst others
59-21 Receivables from exchange increased in the current year due to none payment from customers.
59-22 Receivables from exchange increased in the current year due to none payment from customers.
59-23 The amount decreased as the Municipality had to pay its commitments to reduce its commitments at year end
59-24 The increase in Biological assests was as aresult of the fair value adjustments which were favourable
59-25 Increase on investment property is as a result of the increase in fair value due to revaluation as was done on the properties
59-29 Decrease in Intangible assets is as a result of the Municipality not being required to procure asny more softwares as only the maintenance of licenses was required.
59-30 The increase in Heritage assests was as aresult of the fair value adjustments which were favourable
59-31 Other financial liabilities reduced due to the Municipality paying more to reduce the loan amount owed to DBSA
59-32 Payables from exchange increased due to the Municipality not not haing sufficient funds to cover all its commitment as it is under financial recovery
59-33 VAT Payable decreased due to the Municipality not spending according to the budget as it is under financial recovery and its spending is on constraint. Futhermore the introduction of cost containment has resulted in fewer transactions of procurement being undertasken.

59. Budget differences (continued)

59-34 Consumer deposits increased as a result more developments being undertaken within the Municipal boundaries where customers pay for acoounts and plans for such developments
59-35 Not applicable
59-36 Not applicable
59-37 The increase in the Provisions is as a result of the landfill site that is currently not operational but is being used, thus increasing the provision for rehabilitation and restoration
59-38 Not applicable
59-39 The increase in the Provisions is as a result of the landfill site that is currently not operational but is being used, thus increasing the provision for rehabilitation and restoration
59-40 Increase in the Revaluation reserve is as a result of the fair value adjustments on the properties of the Municipality that are held for capital appreciation and earning of rentals
59-41 Difference is as a result of the restatement of the balances on the statements of both performance and position of the Municipality

60. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

Principal Agent Relationship-Department of Transport

The municipality is an Agent for the North West Department Road and Transport for Licences and Permits. The Arrangement is that the municipality keeps 20% of the monies received for this service and 80% is paid over the department.

The agreement requires the municipality to perfonm all the registering and testing functions on belhalf of the department which consist of Motor vehicle registration and licencing, Driving licence test centre functiions and Vehicle testing station functions.

The Pricipal Agent Service Agreement was previsouly suspended due to failure by the municipality to oay over monies collected on behalf of the department. Furthmore an arrangement was entered into for the municipality to use its 20% to pay for the outstanding debt as well as additional monthly fees until such time the debt is settled. The remaining balance as 30 June 2023 was **R2 939 546.35**
Although there is no formal contract signed, the principal agent relationship still exists taking into account substance over form of the transactions relating to lincences and permits

Principal Agent Relationship-Dr Ruth District Municipality

Furthermore the municipality is an Agent of Dr Ruth District Municipality where it performs the service for the provision of retail water and sanitation. The District is to pay a portion of the Equaitable share and all expenses incurred for this service; howver the service level agreement is silent with regards to commision percentage the municipality is supposed to receive for this service,a letter haqs been sent to the District to address the limitations of the SLA.,

Figures in Rand	2023	2022

60. Accounting by principals and agents (continued)

Entity as agent

Additional information

Municipality Acting as an agent		
Revenue received or to be received on behalf of the principal	64 973 051	54 853 605
Expenditure paid or incurred on behalf of the principal	(20 581 064)	(32 594 446)
	44 391 987	**22 259 159**

Receivables held on Behalf of the principal		
Opening Balance	235 367 379	227 949 317
Revenue receivable	26 550 086	20 227 287
	261 917 465	**248 176 604**

Payables held on behalf of the principal		
Opening Balance	69 071 832	69 071 832
Expenses Incurred	20 581 064	25 831 262
	89 652 896	**94 903 094**

Resources (including assets and liabilities) of the entity under the custodianship of the agent

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

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

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

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

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

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

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

[Provide additional info as appropriate]