BELA BELA MUNICIPALITY

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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 115 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	Bela-Bela is a category B Local Municipality performing the functions as set out in the Constitution (Act No 108 of 1996)
Mayoral committee	
Mayor	Hon. G.M. Seleka
Executive Committee	Cllr M.J. Ngobeni
	Cllr M.N. Ras (resigned - 31/08/2022)
	Cllr J.H.T Mills (deceased - 27/05/2023)
Speaker	Cllr TN Zikhali
Chief Whip	Cllr K. Sepuru
Councillors	Cllr M.F. Kroover
	Cllr K.S. Rachidumela
	Cllr J.M.Mabua
	Cllr M.H. Ledwaba
	Cllr M.J. Makhubela
	Cllr M.O. Tlaka
	Cllr H.J.L Kruger (resigned - 31/03/2023)
	Cllr J.D. Cloete
	Cllr P.V. Mashaba
	Cllr F.S. Hlongwane
	Cllr M.N. Mpunwana (appointed on 12/12/2022)
	Cllr. M.D. Senosha (appointed on 01/04/2022)
	Cllr. S.D. Seale
Grading of local authority	Level 3
Chief Finance Officer (CFO)	Mr. R.M. Marutha
Accounting Officer	Mr. T Ramagaga
Registered office	58 Chris Hani Drive Bela Bela 0480
Postal address	Private Bag X1609 Bela Bela 0480
Banker	Absa Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Motalane Incorporated Noko Maimela Incorporated Mohale Incorporated Ndobela and Associates incorporated GSM Mohlabi incorporated
Published	31 August 2023

General Information

Legislation applicable to the municipality	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No.117 of 1998) Constitution of the Republic of South Africa (Act No.108 of 1996) Division of Revenue Act (Act No. 1 of 2007) Municipal Property Rates Act (Act No. 6 of 2004)

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SCM	Supply Chain Management
MEC	Member of the Executive Council
ASB	Accounting Standard Board

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 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 Auditor-General are responsible for independently reviewing and reporting on the municipality's annual financial statements.

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

Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The Auditor-General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors

The annual financial statements set out on pages 5 - 125, which have been prepared on the going concern basis, were approved on 31 August 2023 and were signed on its behalf by:

Mr. T Ramagaga
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	361 755	331 363
Receivables and other receivables from exchange transactions	4&5	60 970 438	21 010 488
Receivables from non-exchange transactions	5&6	103 629 804	62 844 092
VAT receivable	7	139 718 130	112 490 009
Cash and cash equivalents	8	11 261 243	15 196 559
		315 941 370	**211 872 511**
Non-Current Assets			
Investment property	9	277 399 825	279 274 316
Property, plant and equipment	10	874 532 339	828 689 877
Intangible assets	11	1 595 900	1 628 642
Heritage assets	12	538 950	538 950
Receivables and other receivables from exchange transactions	4	140 580	224 290
		1 154 207 594	**1 110 356 075**
Non-Current Assets		1 154 207 594	1 110 356 075
Current Assets		315 941 370	211 872 511
Total Assets		**1 470 148 964**	**1 322 228 586**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	140 358 209	171 057 458
VAT payable	14	136 004 020	106 821 199
Consumer deposits	15	6 955 063	6 735 686
Employee benefit obligation	16	2 231 000	1 680 000
Unspent conditional grants and receipts	17	7 438 411	214 343
Provisions	18	269 532	637 823
		293 256 235	**287 146 509**
Non-Current Liabilities			
Employee benefit obligation	16	51 534 000	54 263 000
Provisions	18	104 706 003	75 793 017
		156 240 003	**130 056 017**
Non-Current Liabilities		156 240 003	130 056 017
Current Liabilities		293 256 235	287 146 509
Total Liabilities		**449 496 238**	**417 202 526**
Assets		1 470 148 964	1 322 228 586
Liabilities		(449 496 238)	(417 202 526)
Net Assets		**1 020 652 726**	**905 026 060**
Accumulated surplus		1 020 652 726	905 026 060
Total Net Assets		**1 020 652 726**	**905 026 060**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	190 055 829	189 392 572
Rental of facilities and equipment	20	1 477 412	1 601 858
Agency services	21	4 883 306	3 894 845
Sale of goods and rendering of services	22	1 759 780	1 875 365
Other income	23	4 405 956	3 094 218
Interest income	24	10 478 183	6 362 251
Fair value adjustments	53	-	25 051 660
Actuarial gains	54	10 959 146	6 949 153
Total revenue from exchange transactions		**224 019 612**	**238 221 922**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	108 940 485	81 022 214
Property rates - penalties imposed	25	14 038 449	8 344 438
Licences and Permits (Non-exchange)	26	2 159 542	2 232 263
Transfer revenue			
Government grants & subsidies	27	206 011 199	178 250 539
Fines, Penalties and Forfeits	28	35 781 697	31 341 058
Total revenue from non-exchange transactions		**366 931 372**	**301 190 512**
Expenditure			
Employee related costs	29	(144 106 241)	(146 183 560)
Remuneration of councillors	30	(7 787 822)	(7 248 348)
Depreciation and amortisation	31	(45 398 952)	(36 495 693)
Impairment of assets	32	(1 925 478)	(4 204 687)
Finance costs	33	(21 335 505)	(14 514 176)
Debt Impairment	59	(33 419 928)	(67 457 071)
Bulk purchases	34	(111 941 973)	(117 551 013)
Contracted services	35	(41 176 424)	(41 202 334)
Loss on disposal of assets and liabilities	55	(2 474 443)	(11 702 098)
Fair value adjustments	53	(1 874 491)	-
General Expenses	37	(63 196 615)	(63 436 548)
Total expenditure		**(474 637 872)**	**(509 995 528)**
Surplus for the year		**116 313 112**	**29 418 001**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	**682 850 747**	**682 850 747**
Changes in net assets		
Prior period error - note 43	192 757 311	192 757 311
Net income (losses) recognised directly in net assets	192 757 311	192 757 311
Surplus for the year	29 418 001	29 418 001
Total recognised income and expenses for the year	222 175 312	222 175 312
Total changes	222 175 312	222 175 312
Restated* Balance at 01 July 2022	**905 026 060**	**905 026 060**
Changes in net assets		
Surplus for the year	116 313 112	116 313 112
Correction of error - current year	(686 448)	(686 448)
Total changes	115 626 664	115 626 664
Balance at 30 June 2023	**1 020 652 724**	**1 020 652 724**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		316 271 955	282 236 447
Grants		213 235 267	160 099 062
Interest income		10 478 183	6 362 251
Other receipts		47 230 501	40 562 384
		587 215 906	489 260 144
Payments			
Employee costs		(152 446 221)	(153 431 908)
Suppliers		(290 231 089)	(243 402 202)
Finance costs		(21 335 505)	(14 514 176)
		(464 012 815)	(411 348 286)
Total receipts		587 215 906	489 260 144
Total payments		(464 012 815)	(411 348 286)
Net cash flows from operating activities	39	**123 203 091**	**77 911 858**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(125 271 581)	(82 976 295)
Proceeds from sale of property, plant and equipment	10	(9 836 802)	(1 478 418)
Receivables from exchange transactions - non current		83 710	(151 266)
Net cash flows from investing activities		**(135 024 673)**	**(84 605 979)**
Net increase/(decrease) in cash and cash equivalents		**(11 821 582)**	**(6 694 121)**
Cash and cash equivalents at the beginning of the year		15 196 558	12 516 771
Cash and cash equivalents at the end of the year	8	**3 374 976**	**5 822 650**

The accounting policies on pages 12 to 52 and the notes on pages 54 to 116 form an integral part of the annual financial statements.

* See Note 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						**Reference to note**
Service charges - sale of electricity	229 203 347	-	**229 203 347**	190 055 829	**(39 147 518)**	52
Rental of facilities and equipment	1 665 572	-	**1 665 572**	1 477 412	**(188 160)**	52
Interest income	10 695 767	-	**10 695 767**	10 478 183	**(217 584)**	52
Sale of goods and rendering of services	1 379 833	-	**1 379 833**	1 759 780	**379 947**	52
Agency services	4 566 614	-	**4 566 614**	4 883 306	**316 692**	52
Other income	1 646 586	-	**1 646 586**	4 405 956	**2 759 370**	52
Actuarial Gains	-	-	**-**	10 959 146	**10 959 146**	52
Total revenue	**249 157 719**	**-**	**249 157 719**	**224 019 612**	**(25 138 107)**	
Taxation revenue						
Property rates	113 619 684	-	**113 619 684**	108 940 484	**(4 679 200)**	52
Property rates - penalties imposed	6 990 013	-	**6 990 013**	14 038 449	**7 048 436**	52
Fines, penalities and forfeits	8 860 592	-	**8 860 592**	35 781 697	**26 921 105**	52
Licences and Permits (Non-exchange)	4 737 100	-	**4 737 100**	2 159 542	**(2 577 558)**	52
Transfer revenue						
Government grants & subsidies	213 201 000	160 000	**213 361 000**	206 011 199	**(7 349 801)**	Refer to note 52
Total revenue from non-exchange transactions	**347 408 389**	**160 000**	**347 568 389**	**366 931 371**	**19 362 982**	
'Total revenue from exchange transactions'	249 157 719	-	**249 157 719**	224 019 612	**(25 138 107)**	
'Total revenue from non-exchange transactions'	347 408 389	160 000	**347 568 389**	366 931 371	**19 362 982**	
Total revenue	**596 566 108**	**160 000**	**596 726 108**	**590 950 983**	**(5 775 125)**	
Expenditure						
Employee related costs	166 174 356	2 255 000	**168 429 356**	144 106 241	**(24 323 115)**	52
Remuneration of councillors	8 046 599	-	**8 046 599**	7 787 822	**(258 777)**	52
Depreciation and amortisation	31 199 997	-	**31 199 997**	45 398 952	**14 198 955**	52
Impairment of assets	-	-	**-**	1 925 478	**1 925 478**	52
Finance costs	9 500 000	-	**9 500 000**	21 335 505	**11 835 505**	52
Debt Impairment	-	-	**-**	33 419 928	**33 419 928**	52
Bulk purchases - electricity'	112 577 000	-	**112 577 000**	111 941 973	**(635 027)**	52
Contracted Services	49 457 923	-	**49 457 923**	41 176 424	**(8 281 499)**	52
Loss on disposal of assets	-	-	**-**	2 474 443	**2 474 443**	52
General Expenses	87 126 385	-	**87 126 385**	63 196 615	**(23 929 770)**	52
Fair Value adjustment	22 323 000	-	**22 323 000**	1 874 491	**(20 448 509)**	52
Total expenditure	**486 405 260**	**2 255 000**	**488 660 260**	**474 637 872**	**(14 022 388)**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**110 160 848**	**(2 095 000)**	**108 065 848**	**116 313 112**	**8 247 264**	

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	12 455 832	-	**12 455 832**	361 755	**(12 094 077)**	52
Receivables and other receivables from exchange transactions	31 364 514	-	**31 364 514**	60 970 438	**29 605 924**	52
Receivables from non-exchange transactions	188 895 083	-	**188 895 083**	103 629 804	**(85 265 279)**	52
VAT receivable	-	-	**-**	139 718 130	**139 718 130**	52
Cash and cash equivalents	74 802 137	-	**74 802 137**	11 261 243	**(63 540 894)**	52
	307 517 566	**-**	**307 517 566**	**315 941 370**	**8 423 804**	
Non-Current Assets						
Investment property	-	-	**-**	277 399 825	**277 399 825**	52
Property, plant and equipment	269 749 868	-	**269 749 868**	874 532 339	**604 782 471**	52
Intangible assets	-	-	**-**	1 595 899	**1 595 899**	52
Heritage assets	-	-	**-**	538 950	**538 950**	52
Receivables and other receivables from exchange transactions	-	-	**-**	140 579	**140 579**	52
	269 749 868	**-**	**269 749 868**	**1 154 207 592**	**884 457 724**	
Non-Current Assets	269 749 868	-	**269 749 868**	1 154 207 592	**884 457 724**	
Current Assets	307 517 566	-	**307 517 566**	315 941 370	**8 423 804**	
Total Assets	**577 267 434**	**-**	**577 267 434**	**1 470 148 962**	**892 881 528**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	133 180 832	-	**133 180 832**	140 358 209	**7 177 377**	52
VAT Payables	39 548 147	-	**39 548 147**	136 004 020	**96 455 873**	52
Consumer deposits	(6 136 473)	-	**(6 136 473)**	6 955 063	**13 091 536**	52
Employee benefit obligation	-	-	**-**	2 231 000	**2 231 000**	52
Unspent conditional grants and receipts	1 456 500	-	**1 456 500**	7 438 411	**5 981 911**	52
Provisions	-	-	**-**	269 532	**269 532**	52
	168 049 006	**-**	**168 049 006**	**293 256 235**	**125 207 229**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	51 534 000	**51 534 000**	52
Provisions	(55 500 000)	-	**(55 500 000)**	104 706 002	**160 206 002**	52
	(55 500 000)	**-**	**(55 500 000)**	**156 240 002**	**211 740 002**	
Current liabilities	168 049 006	-	**168 049 006**	293 256 235	**125 207 229**	
Non-current liabilities	(55 500 000)	-	**(55 500 000)**	156 240 002	**211 740 002**	
	-	-	**-**	-	**-**	
Total Liabilities	**112 549 006**	**-**	**112 549 006**	**449 496 237**	**336 947 231**	
Assets	577 267 434	-	**577 267 434**	1 470 148 962	**892 881 528**	
Liabilities	(112 549 006)	-	**(112 549 006)**	(449 496 237)	**(336 947 231)**	

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
Net Assets	**464 718 428**	**-**	**464 718 428**	**1 020 652 725**	**555 934 297**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	464 718 428	-	**464 718 428**	1 020 652 726	**555 934 298**	52

Narration is provided on variances below or above 10%

Accounting Policies

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and receivables

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

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

For receivables, 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 receivable’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at the initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

Useful lives of property, plant and equipment, and intangible assets

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Fair value estimation

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

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

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. .

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 18 - Provisions.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations related to an asset, it is capitalised as part of the cost of those assets. Any subsequent changed to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilized to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of the landfill site.

Impairment of receivables as financial assets

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which receivables have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of receivables.

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 post-retirement and long service benefits 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 employee post retirement and long service benefits obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18.

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure are made in the relevant Notes to the Financial Statements.

In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement:

-Another entity acts as the custodian of the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.

-Another entity is required or granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow

Additional information is disclosed in Note .

Impairment of statutory receivables

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

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

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

Impairment of non-financial assets

Management considers all property plant and equipment to be non-cash generating, except for investment property, which are cash generating.

Management further considers whether indicators of impairment exist. This requires management to exercise judgement as to the whether an individual or combination of factors exist which should be taken into consideration in determining whether the recoverable service amount of the asset is lower than it’s carrying amount.

Accounting policy on impairment of assets, and accounting policy subsequent measurement, amortisation and impairment intangible assets, describe the conditions under which nonfinancial assets are tested for potential impairment losses by the management of the municipality.

Significant estimates and judgements are made relating to impairment testing of property, plant and equipment, and intangible assets.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Revenue from traffic fines

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality

Water inventory

The estimation of the water inventory in reservoirs is based on the measurement of water, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of cost and net realizable value or current replacement cost, insofar as it is stored and controlled in reservoirs at year-end

Write-down of inventories to the lowest of cost and net realisable value or current replacement cost is based on is based on management's estimate of the net realisable value or current replacement cost.

Classification of property as either property, plant and equipment or investment property

Judgement is needed to determine whether a property qualifies as investment property. The municipality considers whether the property is for use in the production or supply of goods or services or for administrative purposes, or held for capital appreciation.

Material losses

Material losses are losses that occur due to factors other than normal production and are regarded as material in accordance with the materiality thresholds above.

Losses that occur due to normal production are classified as production costs and factored into the municipal tariffs. They, therefore, do not constitute material losses. If actual production losses exceed the budgeted production losses factored into the tariff, the difference is considered a material loss.

1.6 Investment property

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

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

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

Fair value

Fair value is determined based on highest and best use of the asset. This principle of highest and best use relates to the most likely and probable lawful use of a property that is physically possible, financially feasible, and that results in the highest value, through analysis of market related transactions (comparable sales) of properties with similar/or comparable attributes, such as location and availability of services. Comparable market transactions were identified from sales transactions sourced from the Registrar of Deeds

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.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-80 years
Machinery and equipment	Straight-line	3-10 years
Furniture and office equipment	Straight-line	3-10 years
Transport assets	Straight-line	3-20 years
Computer equipment	Straight-line	3-5 years
Infrastructure	Straight-line	2-100 years
Community	Straight-line	5-80 years
Recreational facilities	Straight-line	5-100 years
Emergency equipment	Straight-line	2-5 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.

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

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

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

1.9 Intangible assets

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

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

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

Accounting Policies

1.9 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-30 years
Servitudes	Straight-line	Indefinite

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

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

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

1.10 Heritage assets

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

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

Accounting Policies

1.10 Heritage assets (continued)

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.

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

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

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.

Accounting Policies

1.10 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

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

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

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The initial measurement includes transaction cost directly attributable to the acquisition or issue of the financial asset or financial liability, as per GRAP 104.36.

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

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

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

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

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

Accounting Policies

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;

1.11 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
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.12 Statutory receivables

Identification

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

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

1.12 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.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

1.13 Leases

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

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

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.

Accounting Policies

1.14 Inventories (continued)

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

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

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

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

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

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

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.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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.

Designation

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

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

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

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 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.

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.

Accounting Policies

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

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.

Designation

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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

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

1.18 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

1.18 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.19 Provisions and contingencies

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognisedas a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

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.

Contingent liabilities — which are not recognised as liabilities because they are either:
(i) possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or service potential; or
(ii) present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made)

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

Provisions are not recognised for future operating surplus.

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

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 41.

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

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

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

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

1.19 Provisions and contingencies (continued)

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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

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

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

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

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

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

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

1.20 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 be capital in nature.

Accounting Policies

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 (noncontractual)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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

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

Service charges
Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Other revenue

Agency commission
Commission for agency services is recognised on a monthly basis once the income collected on behalf of the principles has been quantified. The income recognised is in terms of the agency agreement.

Rentals received
Rental income is recognised on a straight-line basis over the lease term.

Other Income
Other income is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

Interest, royalties and dividends
Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

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.

Accounting Policies

1.24 Accounting by principals and agents

Identification

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

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

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

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.

Accounting Policies

1.24 Accounting by principals and agents (continued)

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

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

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

1.25 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Accounting Policies

1.26 Comparative figures

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods

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).

All expenditure relating to unauthorised expenditure are recognised depending on the classification of the expenditure, i.e operation or capital. The recognition of the amount recovered also depend on the classification of the expenditure. Where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure are recognised depending on the classification of the expenditure, i.e operation or capital. The recognition of the amount recovered also depend on the classification of the expenditure. Where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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

Accounting Policies

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 003), 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 municipality'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).

All expenditure relating to Irregular expenditure are recognised depending on the classification of the expenditure, i.e operation or capital. The recognition of the amount recovered also depend on the classification of the expenditure. Where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

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

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

1.30 Segment reporting

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Governance and administration
- Community and public safety
- Economic and environmental servicesTrading services
  - Trading services

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.

Accounting Policies

1.30 Segment reporting (continued)

Measurement

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

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

1.31 Budget information

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

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

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

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

The 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

-the approved and final amounts;

-actual amounts and final budget amounts.

1.32 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.

Accounting Policies

1.32 Related parties (continued)

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.

1.33 Events after reporting date

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

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

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

1.34 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.35 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited and debited against accumulated surplus/(deficit) when retrospective adjustments are made.

Accounting Policies

1.35 Accumulated surplus (continued)

1.35 Consumer deposits (continued)

1.36 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected.
When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of the standard is for years beginning on or after 01 April 2023.

The impact of the standard is unlikely that it will be material.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date is 01 April 2025

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

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

3. Inventories

Water	331 363	549 448
Water for distribution	30 392	(218 085)
	361 755	**331 363**

Water for distribution

Opening balance	331 363	388 122
Purchases	35 764 682	49 956 540
Sales	(26 171 315)	(34 703 901)
Water losses	(9 556 652)	(15 309 398)
Closing balance	**361 755**	**331 363**

4. Receivables and other receivables from exchange transactions

Agreements	688 748	1 057 320
Agency services	1 406 010	-
Other receivables	10 287 062	3 291 382
Consumer debtors - Merchandising and jobbing	12 306 485	1 929 508
Consumer debtors - Electricity	6 815 450	5 006 477
Consumer debtors - Water	20 212 420	4 834 860
Consumer debtors - Sewerage	4 176 741	2 941 923
Consumer debtors - Refuse	2 129 242	1 139 313
Consumer debtors - Fees	3 088 860	1 033 995
	61 111 018	**21 234 778**

Non-current assets	140 580	224 290
Current assets	60 970 438	21 010 488
	61 111 018	**21 234 778**

5. Receivable from exchange transaction disclosure

Gross balances		
Consumer debtors - Merchandising and jobbing	18 773 013	17 626 367
Consumer debtors - Electricity	15 212 884	15 002 561
Consumer debtors - Water	67 039 207	52 259 210
Consumer debtors - Sewerage	36 503 163	30 991 769
Consumer debtors - Refuse	14 394 489	11 845 927
Consumer debtors - Fees	3 267 092	3 546 017
	155 189 848	**131 271 851**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivable from exchange transaction disclosure (continued)

	2023	2022
Less: Allowance for impairment		
Consumer debtors - Merchandising and jobbing	(6 466 528)	(15 696 859)
Consumer debtors - Electricity	(8 397 434)	(9 996 084)
Consumer debtors - Water	(46 826 787)	(47 424 350)
Consumer debtors - Sewerage	(32 326 422)	(28 049 846)
Consumer debtors - Refuse	(12 265 247)	(10 706 614)
Consumer debtors - Fees	(178 232)	(2 512 022)
	(106 460 650)	**(114 385 775)**
Net balance		
Consumer debtors - Merchandising and jobbing	12 306 485	1 929 508
Consumer debtors - Electricity	6 815 450	5 006 477
Consumer debtors - Water	20 212 420	4 834 860
Consumer debtors - Sewerage	4 176 741	2 941 923
Consumer debtors - Refuse	2 129 242	1 139 313
Consumer debtors - Fees	3 088 860	1 033 995
	48 729 198	**16 886 076**
Merchandising and jobbing		
Current (0 -30 days)	24 023	88
31 - 60 days	645 365	240 208
61 - 90 days	240 927	206 817
91 - 120 days	963 983	158 340
121 - 365 days	1 529 552	1 277 075
> 365 days	15 369 163	15 743 839
Impairment	(6 466 528)	(15 696 859)
	12 306 485	**1 929 508**
Electricity		
Current (0 -30 days)	76	5 866
31 - 60 days	4 479 441	5 116 025
61 - 90 days	771 740	677 302
91 - 120 days	469 892	376 221
121 - 365 days	2 244 559	2 201 927
> 365 days	7 247 177	6 714 548
Impairment	(8 397 435)	(10 085 412)
	6 815 450	**5 006 477**
Water		
Current (0 -30 days)	41 809	5 588
31 - 60 days	10 386 831	3 751 779
61 - 90 days	2 025 631	1 963 246
91 - 120 days	1 930 321	1 661 164
121 - 365 days	10 618 628	9 088 127
> 365 days	42 035 987	35 789 376
Impairment	(46 826 787)	(47 424 420)
	20 212 420	**4 834 860**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivable from exchange transaction disclosure (continued)

Sewerage		
Current (0 -30 days)	47 766	196 018
31 - 60 days	2 330 889	1 928 282
61 - 90 days	1 205 027	1 084 606
91 - 120 days	1 007 972	921 344
121 - 365 days	7 082 692	6 122 366
> 365 days	24 828 817	20 764 905
Impairment	(32 326 422)	(28 075 598)
	4 176 741	**2 941 923**

Refuse		
Current (0 -30 days)	19 288	906
31 - 60 days	1 371 045	866 017
61 - 90 days	493 605	428 389
91 - 120 days	392 668	357 541
121 - 365 days	2 716 518	2 332 087
> 365 days	9 401 365	7 861 065
Impairment	(12 265 247)	(10 706 692)
	2 129 242	**1 139 313**

Fees		
Current (0 -30 days)	-	2 568
31 - 60 days	7 086	7
61 - 90 days	307	2 342
91 - 120 days	46 655	6
121 - 365 days	274 632	744 912
> 365 days	2 938 412	2 799 244
Impairment	(178 232)	(2 515 084)
	3 088 860	**1 033 995**

Figures in Rand	2023	2022

5. Receivable from exchange transaction disclosure (continued)

Summary of debtors by customer classification

	2023	2022
Consumers		
Current (0 -30 days)	35 436	208 760
31 - 60 days	7 072 165	5 658 890
61 - 90 days	4 004 221	3 323 424
91 - 120 days	3 769 380	2 941 281
121 - 365 days	37 009 850	18 629 812
> 365 days	67 033 618	71 860 508
	118 924 670	102 622 675
Less: Allowance for impairment	(80 012 551)	(90 724 877)
	38 912 119	**11 897 798**
Industrial/ commercial		
Current (0 -30 days)	-	2 274
31 - 60 days	3 307 379	5 290 879
61 - 90 days	1 290 522	623 660
91 - 120 days	1 268 585	386 178
121 - 365 days	9 389 377	2 591 363
> 365 days	41 413 890	11 792 995
	56 669 753	20 687 349
Less: Allowance for impairment	(37 471 318)	(14 795 919)
	19 198 435	**5 891 430**
National and provincial government		
31 - 60 days	1 239 741	952 550
61 - 90 days	886 953	415 617
91 - 120 days	898 386	147 157
121 - 365 days	6 445 892	545 320
> 365 days	15 623 205	7 706 749
	25 094 177	9 767 393
Less: Allowance for impairment	(21 349 858)	(8 776 596)
	3 744 319	**990 797**
Total Gross		
Service charges	155 189 849	131 272 851
	155 189 849	131 272 851
	-	-
Less: Allowance for impairment		
Service charges	(106 460 651)	(114 385 775)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(114 385 775)	(107 190 064)
Contributions to allowance	(2 442 436)	(21 158 664)
Debt impairment written off against allowance	10 367 560	13 962 952
	(106 460 651)	**(114 385 776)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivable from exchange transaction disclosure (continued)

Receivable from exchange transaction general information

Service charges pledged as security

No receivables from exchange transactions were pledged as security

Receivables from exchange transactions

As of 30 June 2023,service charges of R155 189 849 (2022: R131 271 851) have been provided for impairment..

The amount of the provision was R106 460 650 as of 30 June 2023 (2022: R114 385 775).

6. Receivables from non-exchange transactions

	2023	2022
Fines	48 086 457	37 821 986
Property rates	51 603 522	20 769 690
Other	3 939 825	4 252 416
	103 629 804	**62 844 092**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange general information

Transaction(s) arising from statute

The levying of Property Rates is governed by the Municipal Property Rates Act 6 of 2004.

Traffic fines are issued according the National Road Traffic Act 93 of 1996. The fines issued are divided into Radar Fines and Section 56 Fines.

Determination of transaction amount

Property Rates is a tax levied by a municipality to a property owner used to fund services delivered. Property Rates are calculated by multiplying the market value of the property with a rate determined by the Municipal Council.

Traffic Fines arise from fines issued by the municipality's traffic officials.

Radar fines are speed control fines issued when a motorist is caught speeding on a radar camera device. The device takes a picture of the vehicle and takes a speed reading. The speeding fine is then delivered to the registered owner of the vehicle by post. The Section 56 fine is imposed when a motorist is stopped by the traffic officer and his or her identity therefore is known and a Traffic Offence occurred.

Interest or other charges levied/charged

Interest is charged on overdue debtors - property rates, and is calculated using the nominal interest rate.

Basis used to assess and test whether a receivables from non-exchange transactions is impaired

All receivables from non-exchange transactions that are past due or uncollected were impaired.

Impairment on property rates is calculated based on a risk and payment scoring system.

Impairment on traffic fines is calculated on an average rate of payment for the current and prior years.

Discount rate applied to the estimated future cash flows

No discount rate was used in the property rates and traffic fines impairment calculation.

Traffic fines

As of 30 June 2023, traffic fines of R60 660 750 (2022: 43 437 328) were impaired and provided for.

The amount of the provision was R12 573 893 as of 30 June 2023 (2022: R5 615 344).

The ageing for traffic fines is as follows:

Current (0- 30 days)	289 500	5 747 080
31 - 60 days	513 850	5 132 900
61 - 90 days	4 407 110	4 393 710
91 - 120 days	4 596 870	2 384 450
121 - 365 days	21 603 965	11 820 780
>365 days	29 249 455	13 958 410
Less allowance for impairment	(12 573 893)	(5 615 344)
Total	**48 086 857**	**37 821 984**

Factors the entity considered in assessing receivables from non-exchange transactions impaired (property rates)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

The calculations and scoring used when completing the Type Risk Payment report for property rates are based on the following:

-Account satus

-Account Type

Property rates

Current (0- 30 days)	35 436	36 292
31 - 60 days	11 619 285	7 089 038
61 - 90 days	6 181 697	3 937 558
91 - 120 days	5 936 351	3 577 894
121 - 365 days	42 593 767	25 756 095
>365 days	124 070 713	108 333 313
Less allowance for impairment	(138 833 727)	(128 032 118)
Total	**51 372 752**	**20 524 156**

Other receivables

Gross	3 939 825	4 252 416
Provision	-	-
Total	**3 939 825**	**4 252 416**

Reconciliation of provision for impairment for receivables from non-exchange transactions

Opening balance	(133 401 927)	(104 911 659)
Provision for impairment	(30 977 493)	(38 012 937)
Amounts written off as uncollectible	12 971 800	9 522 669
	(151 407 620)	**(133 401 927)**

No receivables from non-exchange transaction were pledged as security.

7. VAT receivable

VAT	139 718 130	112 490 009

VAT Receivable arise where the municiplity has a claim from the South African Revenue Service where the VAT Inputs exceeded the VAT outputs as per the Value-Added Tax Act 89 of 1991.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60 days.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7 504 339	13 557 357
Short-term deposits	3 756 904	1 639 202
	11 261 243	**15 196 559**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Limited cession of ABSA fixed deposit number 20-6670-1092, The cession consist of R500 000 - Gurantee for Raad Van Magalies Water and R 300 000 - INCA Infrastructure FInance Corp Limited.	800 000	800 000
Guarantee for Raad Van Magalies Water. Account number 69-0020-9994- LDP	500 000	500 000

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 Bank - Current Account (primary bank account) - 13-3000-0062 and tmt account	6 029 206	6 329 058	7 780 316	6 287 581	12 369 507	11 033 352
ABSA Bank - Call Account - 40-7836-0937	3 697 332	1 633 225	338 056	3 705 560	1 635 938	513 922
ABSA Bank - Call Account -92-9574-5884	178 346	168 157	162 818	178 347	168 158	162 818
ABSA Bank - Fixed Deposit - 206-670-1092	1 089 757	1 022 957	976 571	1 089 757	1 022 958	976 571
Total	**10 994 641**	**9 153 397**	**9 257 761**	**11 261 245**	**15 196 561**	**12 686 663**

9. Investment property

	2023			2022		
	Cost / Valuation	Fair value adjustment	Closing balance	Cost / Valuation	Fair value adjustment	Closing balance
Investment property	282 015 409	(4 615 584)	277 399 825	254 222 656	25 051 660	279 274 316

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	279 274 316	(1 874 491)	277 399 825

Reconciliation of investment property - 2022

	Opening balance	Correction of error	Fair value adjustments	Total
Investment property	109 865 416	169 408 900	25 051 660	279 274 316

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 based on comparable market transactions.No discount rate is applicable and the fair value represents the market value.

Maintenance of investment property

No expenditure incurred in maintaining investment properties.

10. 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	111 562 502	(24 873 160)	86 689 342	111 562 502	(24 873 160)	86 689 342
Machinery and equipment	3 284 022	(2 509 374)	774 648	3 600 757	(2 507 373)	1 093 384
Furniture and office equipment	7 084 658	(5 766 828)	1 317 830	7 060 665	(5 647 751)	1 412 914
Transport assets	42 390 795	(23 314 963)	19 075 832	44 958 350	(21 298 396)	23 659 954
Computer equipment	9 940 514	(9 240 946)	699 568	10 056 976	(8 653 644)	1 403 332
Infrastructure	1 273 383 217	(685 468 290)	587 914 927	1 203 370 682	(655 953 548)	547 417 134
Community	133 933 894	(62 727 303)	71 206 591	133 933 895	(58 333 092)	75 600 803
Buildings	67 868 477	(48 607 462)	19 261 015	67 868 477	(47 360 348)	20 508 129
Work-in-progress	87 592 586	-	87 592 586	70 904 885	-	70 904 885
Total	**1 737 040 665**	**(862 508 326)**	**874 532 339**	**1 653 317 189**	**(824 627 312)**	**828 689 877**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Derecognition - cost	Transfers	Derecognition accumulated impairment	Decrecognition - accum depreciation	Depreciation	Impairment loss	Total
Land	86 689 342	-	-	-	-	-	-	-	86 689 342
Machinery and equipment	1 093 384	190 000	(504 877)	-	-	504 728	(457 307)	(51 280)	774 648
Furniture and office equipment	1 412 914	577 983	(499 688)	-	-	491 617	(656 021)	(8 975)	1 317 830
Transport assets	23 659 954	-	(2 567 555)	-	-	1 741 711	(3 024 407)	(733 871)	19 075 832
Computer equipment	1 403 332	414 335	(530 797)	-	-	530 797	(1 111 305)	(6 794)	699 568
Infrastructure	547 417 134	1 950 537	(8 116 486)	76 178 484	635 821	6 260 942	(35 076 249)	(1 335 256)	587 914 927
Community	75 600 803	-	-	-	-	-	(3 795 107)	(599 105)	71 206 591
Buildings	20 508 129	-	-	-	-	-	(1 245 815)	(1 299)	19 261 015
Work-in-progress	70 904 885	73 891 727	-	(57 204 026)	-	-	-	-	87 592 586
	828 689 877	**77 024 582**	**(12 219 403)**	**18 974 458**	**635 821**	**9 529 795**	**(45 366 211)**	**(2 736 580)**	**874 532 339**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Correction of error	Disposals	Transfers out	Derecognition - cost	Derecognition - accumulated depreciation	Depreciation	Impairment loss	Total
Land	78 889 942	-	7 799 400	-	-	-	-	-	-	86 689 342
Machinery and equipment	1 483 709	50 315	28 201	(1 297)	-	-	-	(467 544)	-	1 093 384
Furniture and office equipment	1 884 720	129 359	56 200	(16 848)	-	-	-	(640 517)	-	1 412 914
Transport assets	26 738 219	-	-	-	-	-	1	(3 078 266)	-	23 659 954
Computer equipment	1 966 705	414 559	9 325 423	(7 003)	-	-	39 945	(1 010 874)	(9 325 423)	1 403 332
Infrastructure	521 855 363	59 390 596	1 098 405	-	(3 358 743)	(4 478 319)	3 260 828	(26 798 483)	(3 552 513)	547 417 134
Community facilities	37 662 790	-	42 234 975	-	-	-	-	(3 644 791)	(652 171)	75 600 803
Buildings	21 713 130	-	(443 390)	-	-	-	-	(761 611)	-	20 508 129
Work-in-progress	70 904 885	-	-	-	-	-	-	-	-	70 904 885
	763 099 463	**59 984 829**	**60 099 214**	**(25 148)**	**(3 358 743)**	**(4 478 319)**	**3 300 774**	**(36 402 086)**	**(13 530 107)**	**828 689 877**

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	87 592 586	70 904 884

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
MV Substations: Construction of 20 MVA Substation	35 481 842	35 481 842

The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. An impairement loss been recognised in relation to these assets.

The difference between R35 481 842 and R66 795 2350 000000000004 disclosed in the prior year annual financial statements is a result of the following projects that were disclosed in the prior year annual financial statements whereas they were restated in the current annual financial statements. The amounts are disclosed in the prior period error note.

Figures in Rand	2023	2022

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	70 904 885	70 904 885
Additions	73 891 727	73 891 727
Transfer out to completed items and expense	(57 204 026)	(57 204 026)
	87 592 586	**87 592 586**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	119 106 227	1 953 251	121 059 478
Additions	59 039 011	1 874 945	60 913 956
Impairment	(10 459 458)	-	(10 459 458)
Transfer out to completed items and expense	(96 780 895)	(3 828 196)	(100 609 091)
	70 904 885	**-**	**70 904 885**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2023	2022
Infrastructure	6 893 123	8 953 899

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.

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 506 689	(1 556 453)	950 236	2 506 689	(1 523 711)	982 978
Servitudes	645 664	-	645 664	645 664	-	645 664
Total	**3 152 353**	**(1 556 453)**	**1 595 900**	**3 152 353**	**(1 523 711)**	**1 628 642**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	982 978	(32 742)	950 236
Servitudes	645 664	-	645 664
	1 628 642	**(32 742)**	**1 595 900**

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	1 076 585	(93 607)	982 978
Servitudes	645 664	-	645 664
	1 722 249	**(93 607)**	**1 628 642**

Maintenance of intangible assets

No expenditure incurred in maintaining intangible assets

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Intangible assets (continued)

Other information

Intangible assets with an idefinite useful life	645 664	645 664

The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as below ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

12. Heritage assets

	2023			2022		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical assets	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2023

	Opening balance	**Total**
Historical assets	538 950	538 950

Reconciliation of heritage assets 2022

	Opening balance	**Total**
Historical assets	538 950	538 950

Expenditure incurred to repair and maintain heritage assets

No expenditure incurred in maintaining heritage assets.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Payables from exchange transactions

Trade payables	70 893 233	107 308 742
Payments received in advanced	16 226 361	18 504 694
Retentions	20 170 818	21 543 550
Accrued leave pay	10 832 784	11 270 458
Accrued bonus	3 226 805	2 858 514
Deposits on sale of land	417 559	417 559
Unknown deposits	4 965 946	4 707 904
Other deposits	8 640 854	-
Accrued payroll expenditure	4 983 849	4 446 037
	140 358 209	**171 057 458**

14. VAT payable

Tax refunds payables	136 004 020	106 821 199

15. Consumer deposits

Electricity	5 318 437	5 340 640
Water	1 241 654	1 018 390
Refuse	2 034	2 034
Regional services levies	383 436	368 654
Housing rental	9 502	5 968
	6 955 063	**6 735 686**

Figures in Rand	2023	2022

16. Employee benefit obligations

Defined benefit plan

16. Employee benefit obligations (continued)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated a member (who is on the current Conditions of Service) is entitled to remain a continued 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. No other post retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the post-employment medical aid benefits liability was carried out at 30 June 2023 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. 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. An actuarial valuation has been performed of the liability in respect of the post-employment health care benefits to employees and retirees of Bela- Bela Municipality and to their registered dependants.

The nominal and real zero curves as at 30 June 2023 supplied by the Johannesburg Stock Exchange was used to determine the discount rate and Consumer Price Index (CPI) assumptions at each relevant time period.

For the year ended 30 June 2023 : 227 (2022 : 230) employees were entitled to receive post-employment medical aid subsidies. The current service cost for the year ended 30 June 2023 is estimated to be R 3 133 000 (2022: R 3 025 000). The normal retirement age for all active employees was assumed to be 65 years.

The medical aid contribution inflation used in the valuation is 9.61%.

As at the valuation date, the medical aid liability was unfunded

Membership Data
According to the information provided, the number of members entitled to receive post employment medical aid subsidies from the Municipality were:

Category	30-06-2023 Valuation	30-06-2022 Valuation
Current (In Service) Members	227	230
Continuation Members (Pensioners)	21	17
Total	248	247

Accrued Contractual Liability
The figures below reflect the total value of the accrued contractual liability of the Municipality in respect of post-employment medical aid benefits offered to employees:

Category	30-06-2023 Valuation	30-06-2022 Valuation
Current (In Service) Members	R 37 053 000	R 38 144 000
Continuation Members (Pensioners)	R 9 388 000	R 10 494 000
Total	R 46 441 000	R 48 638 000

Assumptions

Post-employment Medical Aid Liabilities
The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets
As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Financial Variables.

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

the following values for these variables

Financial Variable	**Assumed Value30-06-2023(Current Valuation)**	**Assumed Value at 30-06-2022**
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

** The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Average Retirement Age
The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Previously mortality before retirement was based on the SA 85-90 mortality tables whilst post-employment was based on PA (90) rated down one year.

Spouses and Dependants
We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Current (In Service)
Members The table below provides a summary of details for current employees.

	Male	Female	Total
Number of active employees	125	102	227
Subsidy weighted average age	48,1	46,2	47,3
Subsidy weighted average past service	15,3	13,4	14,5
Number of spouses	41	17	58
Average monthly subsidy payable during retirement	R 2 870	R 2 590	R 2 740

Continuation Members (Pensioners)
The table below provides a summary of details for continuation members. Male Female

	Male	Female	Total
Number of continuation members	11	10	21
Subsidy weighted average age	75,1	79,4	77,4
Average monthly subsidy	R 4 330	R 5 560	R 4 920

16. Employee benefit obligations (continued)

Long service award

16. Employee benefit obligations (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of conitinuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. 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.

For the year ended 30 June 2023 : 308 (2022 : 323) employees were eligible for long service awards. The current service cost for the year ended 30 June 2023 is estimated to be R648 000 (2022: R623 000). The average retirement age for all active employees was assumed to be 62 years. The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period.

Normal salary increase rate used is 6.25%.

Membership Data
According to the information provided, the number of members entitled to receive long service leave awards from the Municipality were:

Gender	Number of Active employees	Salary Weighted average age (Years)	Weighted average past service (Years)
Male	179	46,86	13,8
Female	129	45,72	12,35
Total	308	46,42	13,24

Valuation Method
Long Service Awards Liabilities Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)
10	4%
15	8%
20	12%

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.
Financial Variables.

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables

Financial Variable	**Assumed Value30-06-2023(Current Valuation)**	**Assumed Value at 30-06-2022**
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real real yield	Difference between nominal and yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2023 of 5.4%.

Average Retirement Age
The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Sensitivity Analysis
In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:
- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

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

	2023	2022
Carrying value		
Opening balance of the Post-Employment Medical aid benefit	(48 638 000)	(47 986 000)
Movement in the Post - Employment Medical aid benefit	2 197 000	(652 000)
Opening balance long service awards	(7 305 000)	(6 718 000)
Movement in Long service awards	(19 000)	(587 000)
	(53 765 000)	**(55 943 000)**
Non-current liabilities	(51 534 000)	(54 263 000)
Current liabilities	(2 231 000)	(1 680 000)
	(53 765 000)	**(55 943 000)**

Calculation of actuarial gains and losses

	2023	2022
Actuarial (gains) losses – Post-employment medical aid benefit	(9 812 146)	(6 442 392)
Actuarial (gains) losses – Long service awards	(1 147 000)	(506 761)
	(10 959 146)	**(6 949 153)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
LSA		
Discount rates used	14,17 %	11,82 %
Normal salary increase rate	9,61 %	9,02 %
Net effective discount rate	4,15 %	2,57 %
CPI (Consumer Price Inflation)	8,61 %	8,02 %
PEMA		
Discount rates used	10,82 %	11,82 %
Normal salary increase rate	6,92 %	9,02 %
Net effective discount rate	3,65 %	2,57 %
CPI (Consumer Price Inflation)	5,92 %	8,02 %

Long service award

	2023	2022
Carrying value		
PV of the obligation as at the previous valuation date (per report)	7 305 000	6 718 000
Current Service Cost	648 000	623 000
Interest Cost	876 000	693 000
Benefits Paid *	(358 000)	(440 000)
Actuarial Loss / (Gain)	(1 147 000)	(292 000)
	7 324 000	**7 305 000**

	2023	2022
Non-current liabilities	6 497 000	6 919 000
Current liabilities	827 000	386 000
	7 324 000	**7 305 000**

Post employment medical aid benefits

	2023	2022
Carrying value		
PV of the obligation as at the previous valuation date (per report)	48 638 000	47 986 000
Current Service Cost	3 133 000	3 025 000
Interest Cost	5 861 000	5 221 000
Benefits Paid *	(1 378 854)	(1 151 608)
Actuarial Loss / (Gain)	(9 812 146)	(6 442 392)
	46 441 000	**48 638 000**

	2023	2022
Non-current liabilities	45 037 000	47 344 000
Current liabilities	1 404 000	1 294 000
	46 441 000	**48 638 000**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
Water Services Infrastructure Grant	7 287 698	111 827
Municipal Infrastructure Grant	(2 750)	9 056
Energy Efficiency and Demand Side Management Grant	153 463	93 460
	7 438 411	**214 343**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Unspent conditional grants and receipts (continued)

Movement during the year

	2023	2022
Balance at the beginning of the year	214 343	18 365 680
Additions during the year	213 235 267	159 884 000
Income recognition during the year	(206 011 199)	(178 035 337)
	7 438 411	**214 343**

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.

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Rehabilitation of landfill site	75 793 017	28 912 986	104 706 003
Performance bonus	637 823	(368 291)	269 532
	76 430 840	**28 544 695**	**104 975 535**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Rehabilitation of landfill site	70 494 746	5 298 271	75 793 017
Performance bonus	573 950	63 873	637 823
	71 068 696	**5 362 144**	**76 430 840**

	2023	2022
Non-current liabilities	104 706 003	75 793 017
Current liabilities	269 532	637 823
	104 975 535	**76 430 840**

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2023 by i@Consulting (Pty) Ltd. The cost of the closure cost elements has been determined based on quotation and confirmed via cost escalation of the previously proposed rehabilitation cost, through engineering and construction indices, drawn from SAFCEC and StatsSA.

Key assumptions:
- The discount rate used for the provision calculation for the restoration liability was based in the 5 year fixed rate RSA retail bond.
- Discount rate 9.27% (2021: 7.25%).
- The current expected remaining life as at 30 June 2023 is estimated to be 3 years.

Performance bonus
The provision for the performance bonus has been calculated at 14% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 Managers paid out bonuses. In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:
- the annual report for the financial year under review has been tabled and adopted by municipal council.
- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Service charges

Sale of electricity	117 608 488	124 244 980
Sale of water	43 431 341	37 262 664
Solid waste	9 667 525	8 951 614
Sewerage and sanitation charges	19 348 475	18 933 314
	190 055 829	**189 392 572**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 477 412	1 601 858
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1 477 412	1 601 858

21. Agency services

Vehicle registration	4 883 306	3 894 845

The agency fee is a revenue generated from the department of transport. The municipality earned 20% and 3% commission of the cash collected for undertaking these activities for the provincial department of transport and ARRTO respectively.

22. Sale of goods and rendering of services

Application fees for land usage	120 462	132 568
Cleaning and removal	39 005	29 683
Occupation certificates	12 478	2 380
Removal of restriction	19 680	13 071
Clearance certificate	252 288	232 938
Building plan approval	494 879	409 325
Cemetery and burial	439 458	498 758
Fire services	790	730
Parking fees	-	9 336
Sale of goods	380 740	546 576
Sub-division and Consolidation Fees	-	1 095
	1 759 780	**1 876 460**

23. Other income

Administrative handling fees	184 917	61 012
Collection charges	253 972	961 332
Commision earned	-	123 416
Incidental Cash	3 220 438	1 944 089
Discounts and Early Settlements	685 224	-
Printing and duplicates	5 063	2 717
Insurance refunds	46 780	1 652
Staff and Councillors recoveries	9 562	-
	4 405 956	**3 094 218**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Interest income

Interest revenue		
Bank	1 432 309	189 368
Interest charged on trade and other receivables	9 045 874	6 172 883
	10 478 183	**6 362 251**
	-	-
	10 478 183	6 362 251

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Property rates

Property rates levied

Residential	73 276 995	54 272 902
Commercial	11 591 758	10 189 699
Small holdings and farms	9 100 773	9 075 855
State	15 166 696	7 856 511
Other	(195 737)	(372 753)
	108 940 485	81 022 214
Property rates - penalties imposed	14 038 449	8 344 438
	122 978 934	**89 366 652**

Valuations

Accomodation establishment	63 970 000	62 051 000
Commercial	1 000 342 000	738 219 000
Farms agricultural	4 378 239 000	3 818 881 000
Farms business	560 897 000	586 359 000
Farms other	-	45 635 000
Farms residential	808 887 000	631 632 000
Farms vacant land	345 836 000	528 796 000
Industrial	86 066 000	15 400 000
Municiplal property	570 516 250	21 078 000
Private open space	14 183 000	15 959 000
Public benefit activities	100 648 000	54 217 000
Public service infrastructure	59 591 000	8 433 000
Residential	4 316 402 018	3 667 770 000
Small holdings agricultural	26 206 000	18 803 000
Small holdings business	46 559 000	39 994 000
Small holdings other	396 000	393 000
Small holdings residential	122 509 000	123 903 000
Small holdings vacant land	149 073 500	167 484 000
Vacant business	11 564 000	8 616 000
Vacant residential	718 932 246	776 268 000
Protected areas	248 595	-
	13 381 065 609	**11 329 891 000**

Valuations

Figures in Rand	2023	2022

25. Property rates (continued)

Valuations on land and buildings are performed every five (5) years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The rate randages are as follows:

Business and industrial R 0.0176 (2022: R 0.0169)

Farms agriculture R 0.0034 (2022: R 0.0033)

Government properties R 0.0176 (2022: R 0.0169)

Residential properties R 0.0014 (2022: R 0.0135)

Vacant land business R 0.0176 (2022: R 0.0164)

Vacant land residential R 0.0176 (2022: R 0.0169)

The new general valuation was implemented on 01 July 2022.

26. Licences and permits (non-exchange)

	2023	2022
Trading	6 179	3 882
Road and Transport	2 153 363	2 228 381
	2 159 542	**2 232 263**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies

Operating grants		
Equitable share	117 909 343	104 441 000
Local Government Finance Management Grant	1 650 000	1 650 000
Expanded Public Works Programme	1 502 000	1 353 000
SETA Grant	248 267	215 062
	121 309 610	**107 659 062**
Capital grants		
Integrated National Energy Programme Grant	846 537	2 906 540
Municipal Infrastructure Grant	29 132 750	27 184 944
Water Services Infrastructure Grant	54 722 302	40 499 993
	84 701 589	**70 591 477**
	121 309 610	107 659 062
	84 701 589	70 591 477
	206 011 199	**178 250 539**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of S214 of the Constitution (Act 108 of 1996) to the to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Energy Efficiency Demand-Side Management Grant

Balance unspent at beginning of year	93 460	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(2 906 540)
Disallowed roll-over	(93 460)	-
	-	**93 460**

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

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.

Water Services Infrastructure Grant

Balance unspent at beginning of year	111 827	18 365 820
Current-year receipts	62 010 000	32 086 000
Conditions met - transferred to revenue	(54 834 129)	(40 499 993)
Disallowed roll-over	-	(9 840 000)
	7 287 698	**111 827**

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

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures..

Local Government Finance Management Grant

Current-year receipts	1 650 000	1 650 000
Conditions met - transferred to revenue	(1 650 000)	(1 650 000)

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

	-	-

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Expanded Public Works Programme

	2023	2022
Current-year receipts	1 502 000	1 353 000
Conditions met - transferred to revenue	(1 502 000)	(1 353 000)
	-	-

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Integrated National Energy Programme Grant

	2023	2022
Balance unspent at beginning of year	-	6 903 978
Current-year receipts	1 000 000	8 548 000
Conditions met - transferred to revenue	(846 536)	(8 548 000)
Disallowed Rollover	-	(6 903 978)
	153 464	**-**

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

The objective of Energy efficiency and Demand Side Management Grant is to assist municipalities in saving cost of procuring energy, increases the resilience and reliability of the electric grid, and provides environmental, community, and health benefits.

Municipal Infrastrcuture Grant

	2023	2022
Balance unspent at beginning of year	9 056	-
Current-year receipts	29 130 000	27 194 000
Conditions met - transferred to revenue	(29 132 750)	(27 184 944)
Disallowed roll-over	(9 056)	-
	(2 750)	**9 056**

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

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities
The key principles underpinning the design of the MIG are outlined below:
The MIG programme is aimed at providing only basic infrastructure..

28. Fines, Penalties and Forfeits

	2023	2022
Building Fines	855 193	26 384
Illegal Connections Fines	126 748	56 862
Law Enforcement Fines	152 656	-
Municipal Traffic Fines	34 647 100	31 257 812
	35 781 697	**31 341 058**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Consumer debtors (continued)

	1 161 672	**1 058 220**

Remuneration of Planning and Economic Development Manager: T.B. Mnisi

Annual Remuneration	224 572	559 029
Car Allowance	74 537	223 612
Contributions to UIF, Medical and Pension Funds	38 331	111 806
Cellphone allowance	12 000	36 000
Leave pay	171 734	-
Other	4 474	-
	525 648	**930 447**

Remuneration of Manager for Social Services: M.A. Serote

Annual Remuneration	420 487	568 500
Car Allowance	155 843	223 608
Leave pay	194 474	-
Contributions to UIF, Medical and Pension Funds	73 620	102 330
Cellphone allowance	24 000	36 000
Other	7 390	-
	875 814	**930 438**

Remuneration of Manager Strategic Support: T.J. Mothapo

Acting allowance for position of Corporate Services manager	67 343	149 231

Remuneration of the Divisional Manager waste management - D.T. Raborolo

Acting Allowance for the position of Social Services manager	95 337	80 422

Remuneration of the Divisional Manager Road & Storm Water - T.P Pilane

Acting Allowance for the position of Technical Services manager	-	112 367

Remuneration of Intergrated Development Plan Divisional Manager - L.C. Tshikovhi

Acting Allowance for the position of Planning and Economic Development Manager	190 675	-

30. Remuneration of councillors

Honourable Mayor	951 429	947 621
Speaker	801 178	1 671 652
Chief whip	376 629	419 971
Other councillors	4 443 593	3 942 704
Executive committee members	1 262 393	266 400
	7 835 222	**7 248 348**

In-kind benefits

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

The Mayor has the use of separate Council owned vehicle for official duties.

Notes to the Annual Financial Statements

30. Remuneration of councillors (continued)

Additional information

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

Reconciliation of remuneration of Councillors -2023

		Annual remuneration	Cellphone allowance	Contribution to medical and pension fund	Travel allowance	Total
Honourable Mayor - GM Seleka	-	761 674	47 400	142 355	-	951 429
Speaker - T.N. Zikhali	-	418 969	47 400	127 948	198 773	793 090
Chief Whip - K. Seporu	-	193 858	47 400	28 057	72 675	341 990
Mayoral committee member - M.J Ngobeni	-	405 569	47 400	115 793	165 442	734 204
Mayoral committee member - J.H.T Mills	-	254 879	43 700	30 089	79 982	408 650
Mayoral committee member - M.N Ras	-	113 315	10 400	14 035	-	137 750
Councillor - M.H Ledwaba	-	188 923	47 400	27 316	69 892	333 531
Councillor - H.J.L Kruger	-	148 432	36 300	21 243	40 922	246 897
Councillor - F.S. Hlungwane	-	210 057	47 400	70 314	94 867	422 638
Councillor - B. Maname	-	2 724	1 200	-	-	3 924
Councillor - J.D. Cloete	-	249 633	47 400	36 423	-	333 456
Councillor - J.M Mabowa	-	336 718	47 400	68 341	148 345	600 804
Councillor - K.S. Rachidumela	-	242 453	47 400	35 056	107 342	432 251
Councillor - M.D Senosha	-	45 750	11 100	6 862	17 538	81 250
Councillor - M.F. Koover	-	207 357	47 400	70 317	92 797	417 871
Councillor -M.J. Makhubela	-	227 645	47 400	61 268	-	336 313
Councillor - M.N Mpunwana	-	129 670	22 200	25 472	-	177 342
Councillor - M.O Tlaka	-	249 633	47 400	36 423	-	333 456
Councillor - P.V Mashaba	-	320 361	47 400	46 743	-	414 504
Councillor - R.Z. Moeletsi	-	6 887	1 200	-	-	8 087
Councillor - S.D. Seale	-	201 691	47 400	87 317	-	336 408
Councillor - S.E. Maluleka	-	6 456	1 200	-	-	7 656

30. Remuneration of councillors (continued)

Reconciliation of remuneration of Councillors -2022		Annual remuneration		Cellphone allowance	Contribution to medical and pension fund	Travel allowance	Total
Honourable Mayor - M.J Ngobeni (July to November 2021	-	191 925	-	14 800	43 949	71 734	-
Speaker - R.Z Moeletsi (July to November 2021	-	199 887	-	14 800	46 202	-	260 889
Chief Whip - M.H Ledwaba (July to November 2021	-	155 852	-	14 800	18 162	53 827	242 641
Mayoral committee member - S.E Maluleka (July to November 2021	-	139 988	-	14 800	36 919	53 796	245 503
Mayoral committee member - M.N Ras (July to November 2021)	-	353 895	-	29 600	51 450	-	434 945
Councillor: P.M Aphane (July to November 2021)	-	70 295	-	14 800	25 500	29 111	139 706
Councillor - F.S Hlugwane (July to November 2021)	-	54 846	-	14 800	19 798	22 685	112 129
Councillor - M.J Makhubela (July to November 2021)	-	58 042	-	14 800	16 603	22 690	112 135
Councillor - Y.M.S Malete (July to November 2021)	-	73 451	-	14 800	22 480	29 136	139 867
Councillor - B. Maname (July to November 2021)	-	74 410	-	14 800	22 970	-	112 180
Councillor - T.R Modimola (July to November 2021)	-	84 395	-	14 800	11 401	29 121	139 717
Councillor - A.R Mosweou (July to November 2021)	-	57 322	-	14 800	17 323	22 700	112 145
Councillor - K.L Mothokwa (July to November 2021)	-	52 958	-	14 800	21 689	22 704	112 151
Councillor - M.D Senosha (July to November 2021)	-	65 762	-	14 800	8 884	22 685	112 131
Councillor - S.D Seale (July to November 2021)	-	85 519	-	14 800	11 847	-	112 166
Councillor -M.A Shika (July to November 2021)	-	29 121	-	14 800	11 401	44 734	100 056
Councillor - M.J.L Kruger (July to November 2021)	-	65 762	-	14 800	8 884	22 704	112 150
Mayor : G.M Seleka (November 2021 to June 2022)	-	452 873	-	29 600	83 950	-	566 423
Speaker: T.N Zikhali (November 2021 to June 2022)	-	342 273	-	29 600	60 672	28 696	461 241
Chief Whip: K Sepuru (November 2021 to June 2022)	-	155 623	-	29 600	23 343	-	208 566
Executive committee member: M.J Ngobeni (November 2021 to June 2022)	-	232 478	-	29 600	72 380	94 157	428 615
Executive committee member: M.N Ras (November 2021 to June 2022)	-	353 895	-	29 600	51 450	-	434 945
Councillor: M.F Kroover (November 2021 to June 2022)	-	171 755	29 600	51 464	-	-	252 819
Councillor: K.S Rachidumela (November 2021 to June 2022)	-	159 987	29 600	23 627	36 420	-	249 634
Councillor: J.M Mabua (November 2021 to June 2022)	-	158 646	29 600	24 968	36 420	-	249 634
Councillor: M.H Ledwaba (November 2021 to June 2022)	-	121 078	29 600	18 162	39 732	-	208 572
Councillor: S.D Seale (November 2021 to June 2022)	-	130 903	29 600	48 065	-	-	208 568
Councillor: M.J Makhubela (November 2021 to June 2022)	-	141 693	29 600	39 491	-	-	210 784
Councillor: F.S Hlongwane (November 2021 to June 2022)	-	128 822	29 600	44 924	49 380	-	252 726

Notes to the Annual Financial Statements

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30. Remuneration of councillors (continued)

[illegible]		139 484	29 600	20 923	-		190 007
Councillor: H.J Kruger (November 2021 to June 2022)	-	155 623	29 600	23 343	-	-	208 566
Councillor: M.O Tlaka (November 2021 to June 2022)	-	121 078	29 600	18 162	39 732	-	208 572
Councillor: JHT Mills (November 2021 to June 2022)	-	155 623	29 600	23 343	-	-	208 566
Councillor: JD Cloete (November 2021 to June 2022)	-	191 657	29 600	28 378	-	-	249 635
Councillor: P.V Mashaba (November 2021 to June 2022)							

31. Depreciation and amortisation

Property, plant and equipment	45 366 210	36 402 086
Intangible assets	32 742	93 607
	45 398 952	**36 495 693**

32. Impairment loss

Impairments

Property, plant and equipment	1 925 478	4 204 687
	1 925 478	4 204 687

33. Finance costs

Landfill site	10 127 754	6 430 485
Overdue accounts	4 470 751	2 166 691
Employee benefit obligation	6 737 000	5 917 000
	21 335 505	**14 514 176**

34. Bulk purchases

Electricity - Eskom	111 941 973	117 551 013

34. Bulk purchases (continued)

Electricity Losses: Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure. Non-technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non-payment and faulty meters.

Water Losses: Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are :system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering ,meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.

Electricity losses

	Number 2023 (Kva)	Number 2022 (Kva)		
Units purchased	72 654 346	83 312 916	128 753 952	142 278 014
Units sold	(56 640 790)	(65 265 650)	(99 374 271)	(111 400 094)
Total loss	**16 013 556**	**18 047 266**	**29 379 681**	**30 877 920**
Comprising of:				
Technical losses	1 601 355	1 919 737	13 220 856	4 040 087
Non-technical losses	14 412 200	17 277 637	16 158 824	36 360 788
Total	**16 013 555**	**19 197 374**	**29 379 680**	**40 400 875**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	12 %	13 %	12 %	13 %
Total	**22 %**	**23 %**	**22 %**	**23 %**

Water losses

	Number 2023 (KL)	Number 2022 (KL)		
Units purchased	2 494 121	3 671 268	35 727 967	50 013 299
Units sold	(1 800 880)	(2 547 468)	(25 797 373)	(34 703 900)
Total	**693 241**	**1 123 799**	**9 930 594**	**15 309 399**
Comprising of:				
Technical losses	398 253	571 712	5 704 929	7 521 031
Non-technical losses	318 948	117 098	4 568 853	7 788 367
Total	**717 201**	**688 810**	**10 273 782**	**15 309 398**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	18 %	13 %	18 %	13 %
Total	**28 %**	**23 %**	**28 %**	**23 %**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Contracted services

	2023	2022
Outsourced Services		
Business and Advisory	3 891 281	3 988 261
Lease rentals on operating lease	1 114 842	1 425 160
Connection/Dis-connection	323 032	173 093
Security Services	14 461 689	13 530 789
Traffic Fines Management	1 889 508	2 126 214
Consultants and Professional Services		
Business and Advisory	3 092 324	4 092 039
Infrastructure and Planning	2 418 363	-
Legal Cost	6 115 086	6 160 854
Contractors		
Catering Services	18 900	8 873
Electrical	162 493	231 535
Event Promoters	160 173	65 617
Maintenance of Equipment	1 115 223	583 992
Maintenance of Assets	5 777 900	7 635 553
Sewerage Services	635 610	1 180 354
Presented previously	-	-
Outsourced Services	21 680 352	21 243 517
Consultants and Professional Services	11 625 773	10 252 893
Contractors	7 870 299	9 705 924
	41 176 424	**41 202 334**

36. Inventory consumed

37. General expenses

	2023	2022
Advertising	302 820	169 673
Audit fees	7 789 404	3 681 551
Bank charges	979 611	1 254 948
Commission paid	2 871 579	3 109 453
Delivery expenses	12 735	-
Hire	1 284 669	886 439
Insurance	2 677 706	1 459 372
IT expenses	5 602 194	8 558 440
Skills levy	2 523 235	1 213 886
Fuel and oil	4 492 279	4 220 917
Inventory consumed	26 420 834	33 523 671
Protective clothing	1 507 933	1 828 502
Telephone and fax	1 413 433	1 309 113
Travel - local	267 185	186 360
Tools and kits	230 808	199 403
Utilities - Other	1 644 301	-
Other expenses	3 175 889	1 834 820
	63 196 615	**63 436 548**

38. Audit Fees

	2023	2022
Audit Fees	7 789 404	3 681 551

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Cash generated from operations

Surplus	116 313 112	29 418 001
Adjustments for:		
Depreciation and amortisation	45 398 952	36 495 693
Gain on sale of assets and liabilities	2 474 443	11 702 098
Fair value adjustments	1 874 491	(25 051 660)
Movement in receivables from exchange transactions - non current	(83 710)	-
Impairment deficit	1 925 478	4 204 687
Debt impairment	33 419 928	67 457 071
Actuarial gain / loss	-	(6 949 153)
Movements in retirement benefit assets and liabilities	(2 178 000)	8 187 283
Movements in provisions	28 544 695	5 362 144
Movement on accumulated surplus	(4 791 297)	21 614 729
Changes in working capital:		
Inventories	(30 392)	50 436
Receivables and other receivables from exchange transactions	(29 499 261)	(51 435 725)
Consumer debtors	(33 419 938)	-
Other receivables from non-exchange transactions	(51 162 689)	(52 627 900)
Payables from exchange transactions	(30 699 249)	1 838 741
VAT	1 954 700	(2 494 869)
Unspent conditional grants and receipts	7 224 068	(18 151 477)
Consumer deposits	219 377	340 326
	87 484 708	**29 960 425**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	39 312 284	23 116 898

Total capital commitments		
Already contracted for but not provided for	39 312 284	23 116 898

This committed expenditure relates to plant and equipment and will be financed by available, grant existing cash resources, funds internally generated, etc.

41. Contingencies

Contingent liabilities

Aurecon South Africa (Pty) Ltd - DAMAGES CLAIM	On 05 August 2020 summons were issued against the Municipality. The claim is an amount of R509 125.01 which is in relation to the appointment of the Plaintiff to render certain professional consultancy engineering services on the project known as Bela-Bela Pave Bus RouteRapotokwane (MIG/LP/2126/R, ST/16/18). The matter is being defended in the High Court, but the proceedings are currently stayed in order to claim refund the Municipality paid as security for a burrowed pit utilized for the same project from the Department of Minerals and Energy (DME). There are great prospects of a settlement.	509 125	509 125
Nakevi Abel Makgatho - DAMAGES CLAIM	The Plaintiff issued summons in the local magistrate court claiming payment in the sum of R52 683.50. He alleges that he collided with a pothole that was situated at or near R101 Business Park, Potgieter Road. Matter is defended on the basis of lack of Jurisdiction. The road in question belongs to SANRAL and a Special Plea has been raised and filed to this effect. Matter was set for Trial on 16 and 17 November 2022 Matter was set for Trial on 16 and 17 November 2022. Matter removed from the roll by the Plaintiff and the Municipality's Attorneys have requested reasons and wasted costs for the removal.	52 639	52 639
Masale Marium Morudu-CONTEMPT OF COURT	The applicant intended to bring an application in the Polokwane High Court on Tuesday, 19 January 2021 to declare that the Municipality failed to comply with the provisions of the court order of 9 December 2014 under case number 1743/2014 and alternatively to ensure that the court order be complied with, with immediate effect. The order referred to the failure by the Municipality to register and transfer portion 16 and 17 of erf 2689 Bela-Bela into her name as per the signed agreement of sale. There are no reasons advanced or canvassed as to why the Municipality has to date failed to comply with the order. The matter has been reallocated to Noko Maimela Incorporated, Our attorneys upon receiving instructions tried to speak and negotiate with the applicant's attorneys however they have refused to come to an amicable agreement. The matter will now be opposed by the Municipality and at the same time effect will be given to the court order, as the transfer and registration of the property is currently underway.	250 000	-

Notes to the Annual Financial Statements

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41. Contingencies (continued)

Maximum Profit Recovery (Pty) Ltd- REVIEW APPLICATION & DECLARATION ON INVALIDITY	The Municipality was served with an urgent Application by the sheriff on 22 August 2022 for the High Court in Polokwane to review a decision by the Municipality to award tender 9/3/1/334 for a duration of 36 months and to declare the decision constitutionally invalid and set aside The Municipality's position is that there was no irregular or unlawfulness in handling the tender. Therefore, our attorneys have filed opposing papers and in return served with a replying affidavit from the opponents. The parties will now draft the Heads of Argument and the matter is set down to be heard in Polokwane High Court on 22 November 2022 at 10:00	250 000	-
George Aschendorf PATRIMONIAL LOSS	The Plaintiff issued civil claims against the Municipality alleging the Municipality failed to take reasonable precautionary measures to prevent the patrimonial loss of R15 894.00 to the plaintiff. The Municipality is defending the matter on the basis that Plaintiff's negligent cannot be attributed to the Municipality Notice of Exception by the Municipality served and filed on 10 November 2022 in the local Magistrate Court. On the 05 July 2023 the court dismissed the case with cost in Municipal favour.	15 894	-
Ludgijo Holdings (Pty) Ltd) and another DAMAGES CLAIM	The Plaintiff's are suing for damages from wrongful disqualification and irregular appointment of other contractors/ suppliers to the disadvantage of their company. The Municipality's attorneys have entered notice of intention to defend and will arrange for consultation with the Municipal officials in order to prepare and subsequently file a plea. The claim has prescribed and was not launched in line with notice in terms of section 3 of the institution of legal proceedings against organs of state, Act No 40 of 2002	9 481 670	-
BAROKA FUNERALS SERVICES (PTY) LTD – DAMAGES CLAIM	The Plaintiff issued civil claim against the Municipality alleging that damage amounting to R54 138.25 occurred to the Plaintiff's vehicle due to the Plaintiff's vehicle colliding with a large pothole that was situated in the road that falls under the Municipalities area of jurisdiction and maintenance. The Municipality is defending the matter based on lack of jurisdiction. A Special Plea has been raised and filed on the 29 March 2023 by the Municipality. The Plaintiff served their discovery affidavit on 14 June 2023. We are waiting for the court to allocate a trial date.	54 138	-

Notes to the Annual Financial Statements

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41. Contingencies (continued)

HOSEA THIPE DLAMINI – DAMAGES CLAIM	The Plaintiff issued summons against the Municipality alleging that Plaintiff suffered damages in the sum of R48 284.75 when his vehicle was involved in a collision with the Municipality's vehicle on 31 July 2022 The Plaintiff is claiming vicarious liability against the Municipality. The Municipality filed a Special Plea of misjoinder on 29 March 2023 in that the wrong parties to the proceeding were cited (this is based on the discrepancy between the letter of demand and summons). A pre-trial date has been set for 21 July 2023.	48 285	-
BBLM//DIKALA PLANT HIRE	The Municipality issued an application dated 04 April 2023 to set aside the warrant of execution under case number 95187/2015 in favour of the first respondent as executor creditor, in terms of which the sheriff was directed to attach and take into execution the sum of R 82 795 796,84 plus interest at the rate of 9% from 18 July 2019 until date of final payment. R23 million was already paid by the municipality in relation the warrant of execution. Further prayers by the Municipality included the setting aside of the Notice of Attachment in Execution dated 09 November 2022, of movable and immovable properties of the Applicant pursuant to the warrant of execution under Case Number 95187/2015 in favour of the first respondent.The application was issued on the Department of Justice's case online system and obtained a case number : 31630/2023. The matter was allocated a trial date of 14 September 2023 for hearing.On the 24 May 2023 a notice to oppose was received by our attorneys from Dikala's legal representative.We await their proposed settlement offer.	59 795 796	-
MOTALANE MATHOPA ERENS // BBLM – REVIEW APPLICATION	The Municipality received a Labour Court Review Application from Mr E Motalane alleging constructive dismissal by the Municipality. The matter is opposed by the Municipality on the basis that Mr E Motalane resigned voluntarily.We have served and file a Notice to Oppose and Responding affidavits. Parties held a pre-trial conference and currently waiting for the trial date.	250 000	-
CHOEU FARMING//BBLM – DAMAGES CLAIM	The plaintiff issued summons against the Municipality for payment of R1,9 million rand in the Polokwane High Court for damages caused by fire. The Plaintiff alleges that the fire was caused by the Municipality's employees.The Municipality is defending the matter and a notice of intention to defend was filed on the 15 June 2023.The process of serving and filing of pleadings is in motion whereafter, a trial date will be allocated.	1 900 000	-
		72 607 547	**561 764**

42. Related parties

Relationships	
Members of key management	Refer to note 29 for details
Members of council	Refer to note 30 for details

43. 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

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		18 769 003	595 099	1 472 903	20 837 005
Inventories		549 448	(218 085)	-	331 363
Other receivables from exchange transactions		1 472 903	-	(1 472 903)	-
Cash and cash equivalent		16 830 835	(1 634 275)	-	15 196 560
Statutory receivables from exchange transactions		5 655 815	12 996	-	5 668 811
Receivables from non-exchange transactions		32 437 400	30 688 846	-	63 126 246
Property plant and equipment		825 256 787	(5 472 126)	-	819 784 661
Investment property		134 917 076	144 357 240	-	279 274 316
Payables from exchange transactions		(170 832 360)	(333 769)	-	(171 166 129)
Employee benefit obligation - non-current		(54 263 870)	870	-	(54 263 000)
Provisions- current		(344 370)	(293 453)	-	(637 823)
Accumulated surplus		(726 944 599)	(167 703 343)	-	(894 647 942)
		83 504 068	**-**	**-**	**83 504 068**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		(189 321 078)	86 349	(157 843)	(189 392 572)
Sale of goods and redering of services		(410 640)	-	(1 465 820)	(1 876 460)
Cemetery fees		(498 758)	-	498 758	-
Commision earned		(123 416)	-	123 416	-
Demand charges		(157 843)	-	157 843	-
Other income		(4 021 110)	-	926 892	(3 094 218)
Fines		(31 257 812)	-	(83 246)	(31 341 058)
Depreciation		35 513 938	513 060	-	36 026 998
Property rates		(81 047 794)	25 580	-	(81 022 214)
Property rates - interest earned		(8 492 774)	148 337	-	(8 344 437)
Inventory consumed		-	4 536 704	28 986 968	33 523 672
Lease rentals on operating lease		-	-	1 425 160	1 425 160
Debt impairment		67 457 072	2 191 050	-	69 648 122
Employee related cost		140 448 291	-	5 735 267	146 183 558
General expenditure		61 500 294	(3 814 338)	(33 728 623)	23 957 333
Actuarial gain and losses		-	-	(6 949 153)	(6 949 153)
Contracted services		40 885 967	316 367	-	41 202 334
Loss on disposal of assets		(2 515)	11 676 948	-	11 674 433
Deficit for the year		**30 471 822**	**15 680 057**	**(4 530 381)**	**41 621 498**

Statement of financial position

43. Prior-year adjustments (continued)

Inventories

Inventories was restated by R218,085. The reason for correction of error was due to the change in unit rate used to determine the cost of water purchases. The Unit rate takes into account the cost of water purchased and conversion costs attributable to the cost of producing water.

Receivables from exchange transactions

Receivables from exchange transactions was previously reported as R18 769 003 and was however restated to R20 837 005. The misstatement was due to legacy balances from the previous system vendor. The misstatement was corrected against accumulated surplus.

Receivables from non exchange transsactions

The correction of error was due to change the impairment methodology of the traffic fine debtors. The correction of error resulted into an adjustment of traffic fine debtors balance by R30,688,846 and was adjusted against accumulated surplus.

In addition to the above, the risk factors were relating to property rates incorrectly previously accounted for, as a result property rates impairment was misstated. The risk factors were reassessed retrospectively and accordingly restated.

43. Prior-year adjustments (continued)

Cash and cash equivalent

Cash and cash equivalent was previously reported as R16 830 836 and was however restated to R15 196 560. The correction of error was due to adjustment of bank balance. The bank as per bank statement was previously not agreeing with bank on the financial statement. The correction of error thus resulted to an adjustment of R1,634,275 on the cash and cash equivalent and was adjusted against accumulated surplus.

Investment properties

Investment properties was previously reported as R134 917 076 and was however restated to R 279 274 316. The correction of error was due to reassessment of value of investment properties. The reassessment resulted into an adjustment of R144,357,240 and was against accumulated surplus.

During the 2023 financial year, the municipality reviewed the classification of land registered in the name of the municipality which are occupied by third parties, without the presence of a lease agreement. This process resulted in the identification and recognition of 987 land properties. This process also resulted in the restatement of exiting land parcels which have been valued at nominal values and identification of those properties which do not qualify for recognition as investment properties.

Property plant and equipement

43. Prior-year adjustments (continued)

XX.1 During the current year it was identified that impairment as a result community damage done at MV Substations: Construction of 20 MVA Substation in Bela Bela was not recognised in the prior period

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Cost WIP	-10 459 458.35
Statement of financial performance	
Impairment loss-Infrastructure assets	10 459 458.35

XX.2 During the current financial year, it was identified that a project for Supply & Install New water meters in community's households in which the municipality relinquished control to the households after completion of the project was not expensed from WIP register.

The financial impact of the error was determined to be as follows:

	2022	
Statement of financial position		
Infrastructure assets Cost WIP	-9 373 908	
Statement of financial performance		
Consumables expenditure		9 373 908

XX.3 During the current financial year, it was identified project expenditure relating to year ending 30 June 2020 for Supply & Install New water meters was not accounted for in the WIP register then.

The financial impact of the error was determined to be as follows:

	2022	
Statement of financial position		
Infrastructure assets Cost WIP	3 934 063	
Statement of net assets		
Accumulated surplus - (Increase)/Decrease		(3 934 063)

XX.4 During the current financial year, it was identified project expenditure relating to year ending 30 June 2019 and 30 June 2020 for Electrification Bela Bela Ext 9 Phase 2 (Integrated National Electrification Programme (INEP)) was not accounted for in the WIP register then.

The financial impact of the error was determined to be as follows:

	2022	
Statement of financial position		
Infrastructure assets Cost WIP	2 102 105	
Statement of net assets		
Accumulated surplus - (Increase)/Decrease		(2 102 105)

XX.5 During the year it was identified that the following retention related project expenditure relating to Construction of Road paving & Stormwater in Bela Bela Kgosana project was not correctly accounted for.

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Cost WIP	157 071.84
Infrastructure assets Cost Property , plant and equipment	-157 071.84

XX.6 During the year it was identified that retention related expenditure for the Refurbishment and Automation of the Bela Bela Waste Water Treatment Works - Phase 1B was not correctly accounted for under WIP

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Cost WIP	-292 610.30
Infrastructure assets Cost Property , plant and equipment	346 381.70
Retentions	-53 771.40

XX.6 During the year it was identified that retention related project expenditure for the ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM was overstated by the retention amount.

The financial impact of the error was determined to be as follows:

43. Prior-year adjustments (continued)

	2022
Statement of financial position	
Infrastructure assets Cost WIP	-112 399.92
Retentions	112 399.92

XX.7 During the year it was identified that retention related project expenditure for the Construction of Road Paving and Stormwater in Bela Bela X8 Phase 2 was not accounted for. The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Cost WIP	226 935.12
Statement of net assets	
Accumulated Surplus	-226 935.12

XX.8 During the year it was identified that project expenditure for completed projects for Distribution: Water Desalination Plant - Rapotokwane and ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM were not transferred out of WIP to PPE

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Cost WIP	-15 877 710.10
Infrastructure assets Cost Property , plant and equipment	15 877 710.10

XX.9 During the current year it was identified that project expenditure for completed projects for Distribution: Water Desalination Plant - Rapotokwane and ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM were not transferred out of WIP to PPE and the related depreciation was not accounted for .

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets Watersupply accumulated depreciation	-453 775
Statement of financial performance	
Infrastructure assets Watersupply Depreciation (2022)	453 775

XX.10 During the current is was identified that the expenditure incurred in the acquisition of transformers was incorrectly accounted for as repairs and maintenance whereas they are electrical infrastructure

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	
Infrastructure assets electrical infrastucture accumulated depreciation	-10 388
Statement of financial performance	
Infrastructure assets electrical infrastucture Depreciation (2022)	10 388
Statement of financial position	
Infrastructure assets electrical infrastucture cost acquisitions	1 108 793
Statement of financial performance	
Reapairs and maintenance (2022)	-1 108 793

XX.11 During the current is was identified that the depreciation of the landfill asset was not aligned to expert's landfill site report for both 2021 and 2022 financial years.

The financial impact of the error was determined to be as follows:

	2022
Statement of financial position	

43. Prior-year adjustments (continued)

Infrastructure assets Solid Waste Infrastructure accumulated depreciation	1 517 863.00	
Statement of net assets		
Accumulated surplus - (Increase)/Decrease (2021)	-1 517 863.00	
Statement of financial position		
Depreciation and Amortisation:Depreciation:Solid Waste Infrastructure(2022)	505 954.00	
Statement of net assets		
Property Plant and Equipment:Cost Model:Solid Waste Infrastructure: Accumulated Depreciation:Depreciation (2022)	- 505 954.00	

XX.12 During the year it was identified that the underlying schedule , the immovable assets register's opening balance was not agreeing to the opening trial balance.

The financial impact of the error was determined to be as follows:

Statement of financial position		
Community Assets:Cost:Acquisitions	-4 559.35	
Community Assets:Accumulated Depreciation:Depreciation	3 897.41	
Community Assets:Accumulated Impairment:Impairment	-1 197.62	
Electrical Infrastructure:In-use:LV Networks:Cost:Acquisitions	211 715.61	
Electrical Infrastructure:In-use:HV Switching Station:Accumulated Depreciation	-42 456.42	
Land:Distribution Plant:In-use:Accumulated Impairment:Opening Balance	-20 000.00	
Roads Infrastructure:Cost:Acquisitions	4 559.35	
Roads Infrastructure:Accumulated Depreciation:Depreciation	-4 335.02	
Sanitation Infrastructure:Cost:Acquisitions	291 300.30	
Sanitation Infrastructure:Accumulated Depreciation:Depreciation	424 439.52	
Sanitation Infrastructure:Accumulated Impairment:Impairment	-424 439.54	
Solid Waste Infrastructure:Cost:Acquisitions	-22 812.68	
Solid Waste Infrastructure:Accumulated Depreciation:Depreciation	17 023.34	
Storm water Infrastructure:Cost:Acquisitions	-90 000.22	
Storm water Infrastructure:Accumulated Depreciation:Depreciation	55 294.17	
Water Supply Infrastructure:Distribution:Cost:Acquisitions	-97 265.14	
Water Supply Infrastructure:Distribution:Accumulated Depreciation	-483 635.94	
Statement of net assets		
Net Assets:Accumulated Surplus/(Deficit):Correction of Prior Period Error	182 472.20	

XX.13 During the current year is was identified that land qualifying to recognised as property, plant and equipment was not recognised in the underlying records

The financial impact of the error was determined to be as follows:

	2022	
Statement of financial position		
Property; Plant and Equipment:Cost Model:Land	7 799 400.00	
Statement of net assets		
Accumulated surplus - (Increase)/Decrease (2021)	-7 799 400.00	

XX.14 During the year Sports and recreation assets were reclassified as Community Assets

Community Assets	42 234 975.00	
Sport and recreation assets	-42 234 975.00	

43. Prior-year adjustments (continued)

The following errors were discovered during the current financial year represents credit adjustments done on the underlying records. Positive movements represents debits adjustments done on the underlying records.

During the current financial year, it was identified that a project for Supply & Install New water meters in community's households in which the municipality reliquished control to the households after completion of the project was not expensed from WIP register

During the current year it was identified that impairment as a result community damage done at MV Substations: Construction of 20 MVA Substation in Bela Bela was not recognised in the prior period

During the current financial year, it was identified that a project for Supply & Install New water meters in community's households in which the municipality reliquished control to the households after completion of the project was not expensed from WIP register .

During the current financial year, it was identified project expenditure relating to year ending 30 June 2020 for Supply & Install New water meters was not accounted for in the WIP register then.

During the current financial year, it was identified project expenditure relating to year ending 30 June 2019 and 30 June 2020 for Electrification Bela Bela Ext 9 Phase 2 (Integrated National Electrification Programme (INEP)) was not accounted for in the WIP register then.

During the year it was identified that the following retention related project expenditure relating to Construction of Road paving & Stormwater in Bela Bela Kgosana project was not correctly accounted for.

During the year it was identified that retention related expenditure for the Refurbishment and Automation of the Bela Bela Waste Water Treatment Works - Phase 1B was not correctly accounted for under WIP

During the year it was identified that retention related project expenditure for the ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM was overstated by the retention amount.

During the year it was identified that retention related project expenditure for the Construction of Road Paving and Stormwater in Bela Bela X8 Phase 2 was not accounted for.

During the year it was identified that project expenditure for completed projects for Distribution: Water Desalination Plant - Rapotokwane and ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM were not transferred out of WIP to PPE

During the current year it was identified that project expenditure for completed projects for Distribution: Water Desalination Plant - Rapotokwane and ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT (EEDSM) PROGRAMME: BELA BELA - REPLACEM were not transferred out of WIP to PPE and the related depreciation was not accounted for .

During the current is was identified that the expenditure incurred in the acquisition of transformers was incorrectly accounted for as repairs and maintenance whereas they are electrical infrastructure

During the current is was identified that the depreciation of the landfill asset was not aligned to expert's landfill site report for both 2021 and 2022 financial years.

During the year it was identified that the underlying schedule , the immovable assets opening balance was not agreeing to the opening trial balance.

During the current year is was identified that land qualifying to recognised as property, plant and equipment was not recognised in the underlying records

Trade payables from exchange transactions

the correction of error was due that was recognised in the tax invoice relating to infrastructure capital asset which was capitalised in the previous year but the retention relating to such tax invoice being omitted. The omitted amount was R333,769 and was adjusted against accumulated surplus.

Provisions

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Prior-year adjustments (continued)

The value of the Landfill provision reported on the financial statement during the previous years did not agree with the valuer landfill report. The correction of error was adjusted by R293,454 against accumulated surplus.

Reclassification - VAT payable

Value added Tax was previously report as Statutory receivables from exchange transactions as a consolidated figure of R5,655,813 was split into two i..e VAT receivables (R95,623,842) and VAT payable (R89,955,031) in line with Accounting Standard Board, Fact Sheet 11 – Classification of VAT.

44. Comparative figures

Certain comparative figures have been reclassified.

45. Risk management

Financial risk management

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

Due to the nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by many entities. The municipality's Finance department monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk

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

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

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

At 30 June 2023	1 month	1-3 months	3months to 1year	Total
Consumer deposits	-	-	6 955 063	6 955 063
Payables from exchange transactions	17 544 776	28 071 642	94 741 791	140 358 209
VAT payable	19 429 146	27 200 804	89 374 070	136 004 020
Total	**36 973 922**	**55 272 446**	**191 070 924**	**283 317 292**

At 30 June 2022	1 month	1-3 months	3months to 1 year	1 year to 5 years
Consumer deposits	-	-	6 735 686	6 735 686
Payables from exchange transactions	24 436 780	34 211 492	112 409 187	170 857 459
VAT payable	15 260 171	26 705 300	64 855 728	106 821 199
Total	**39 696 951**	**60 916 791**	**184 000 601**	**284 414 344**

45. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There was no change in the municipality's risk profile or risk policies.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Financial instrument	2023	2022
Call accounts	3 756 904	1 191 115
Current accounts	7 504 339	15 636 460
Receivables and other receivables from exchange transactions	61 111 918	21 234 778
VAT receivable	139 718 130	112 490 009

Market risk

Interest rate risk

As the municipality has no significant interest bearing assets, the municipality 's income and operating cashflows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

Financial instrument	2023	2022
Call accounts	3 756 904	1 191 115
Current accounts	7 504 339	15 636 460

46. Going concern

There are factors that cast doubt on the municipality's ability to continue as a going concern, however the municipality has measures in place to address these factors.

Risk areas	Future plans to mitigate risks identified

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Going concern (continued)

- The municipality is struggling to pay creditors within 30 days as envisaged in section 65 of the MFMA. Pending legal or regulatory proceeded against the municipality that may, if successful, result in claims that the municipality is unlikely to be able to satisfy.
  The municipality is highly dependent on grants from the treasury.
- The municipality is currently encountering a low collection rate
- The approved budget for 2022/23 was unfunded
- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
  The municipality has pending litigations which upon success of the applicants may have a negative impact on the financial status of the municipalities.

- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
- The municipality entered into payment arrangements with key suppliers to suppress interest.
- The municipality intensified credit control measures to recover long outstanding amounts from consumers.
- The period for assessment is in line with medium term expenditure framework budget.
- There is alignment of procurement plan and cash flow projections to reduce payment rate ratio.
- During budgeting the strategy is to eliminate non-core expenditures.
- Recruitment in the current financial year will be focused on critical post in Revenue and service delivery division.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Going forward conditional grants to be ring fenced

The municipality had an accumulated surplus (deficit) of R 1 009 764 550 and that the municipality's total assets exceed its liabilities by R 1 009 764 549.

47. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	168 310 673	115 364 792
Add: Unauthorised expenditure - current	35 089 192	52 945 881
Less: Amount written off - prior period	(168 129 324)	-
Closing balance	**35 270 541**	**168 310 673**

The unauthorised expenditure amounting to R 168 130 673 was referred to MPAC for investigation, Council thereafter wrote-off an amount of R 168 129 324.The difference of R1 349 will be investigated by both management and MPAC. The outcome of the investigation will be reported in the 2023/2024 Annual Financial Ftatements .

Unauthorised expenditure: Budget Overspending-per municipal department

	2023	2022
Chief Financial Officer	28 795 165	17 061 407
Internal Audit	6 050 300	-
Social and Community Services	243 727	35 884 474
	35 089 192	**52 945 881**

In terms of circular 68, the municipality is required to analyse the unauthorised expenditure in terms of the underlying cash and non-cash items, however, the municipality's records do not allow such disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	12 141 816	9 975 125
Add: Fruitless and wasteful expenditure identified - current	4 470 743	2 166 691
Less: Amount recovered - prior period	(12 141 816)	-
Closing balance	**4 470 743**	**12 141 816**

Fruitless and wasteful expenditure is presented inclusive of VAT.

The current year fruitless and wasteful expenditure consisted of interest on late payments of Eskom and Magalies Water invoices.

The fruitless and wasteful expenditure was as a result of interest charged on late payments to suppliers, was then referred to MPAC by council for investigation. The fruitless and wasteful expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Figures in Rand		2023	2022

48. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Interest and penalties	-	4 470 743	2 166 691

49. Irregular expenditure

Opening balance as previously reported	123 366 567	90 947 125
Less correction of error - prior period duplicate	-	(15 254 824)
Add correction or error - overpayment of councillors	-	75 635
Opening balance as restated	**123 366 567**	**75 767 936**
Add Irregular Expenditure - current period	34 565 590	28 828 164
Add Irregular Expenditure - prior period	32 891 220	18 794 421
Less Amount recovered- current period	-	(23 954)
Less Amount written off - prior period	(124 402 190)	-
Closing balance	**66 421 187**	**123 366 567**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Irregular expenditure (continued)

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

PPPFA Regulations, 2017 Evaluation criteria not included on the bid document	-	2 785 285	
Contract extended without following proper procedures	148 336	254 284	
As a result of not following Section 32 of MSCR	-	586 495	
PPPFA Regulations, 2017 Local Content Production not included on the bid document and tender advert	15 343 275	40 548 601	
Payments made exceeds contract or tendered price or purchase order value.	291 617	3 447 921	
The functionality was not created in manner that it could be quantified.	3 210 877	-	
Non Compliance with PPPFA MBD 6.2 - does not have Annexure C and E. No local content evaluation on BEC and BAC reports	34 565 590	-	
Non Compliance with Supply Chain Management Regulations which includes amongst others awards made to suppliers without submission of MBD 4, CSD and tender splitting.	13 897 115	-	-
	67 456 810	**47 622 586**	

'

Included in the 2021/22 Irregular Expenditure closing balance amounting to R138 569 710 was an amount of R15 254 824 which was overstated due to duplication in the 2020/21 financial year and was then corrected during the 2021/22.

The irregular expenditure amounting to R75 635 as a result of overpayment of councillors' remuneration was erroneously excluded in prior years and is therefore restated. An amount of R23 954 was recovered. The balance of R51 681 is included in the 2022/23 closing banlance

2022/23 Irregular Expenditure- current ear of R34 565 590 and prior period of R32 891 220 will be investigated by MPAC.

The irregular expenditure was as a result of non compliance with SCM legislation and other applicable laws, was then referred to MPAC by council for investigation. The irregular expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Irregular expenditure (continued)

Disciplinary steps taken/criminal proceedings

Disciplinary steps taken / criminal proceedings The classification, validation and recoverability of all irregular expenditure was submitted to Council in terms of section 32 of the MFMA for termination.

Irregular Expenditure amounting to R124 477 825 emanating from 2019/20 year until 2021/22 has been written off by Council as per MPAC's recommendations. The element of non compliance has been referred to Financial Misconduct Board for investigation as per MFMA Circular 68

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2023	2022
Opening balance	1 513 869	1 513 869
Amount paid - current year	(1 513 869)	-
	-	**1 513 869**

Material losses through criminal conduct

	2023	2022
Opening balance as previously reported	2 853 681	3 030 857
Add: Losses identified - current period	-	558 565
Less: Amounts recovered - current	-	(735 741)
	2 853 681	**2 853 681**

The material losses are debit orders which went fraudulently through the bank account. Invetsigation is still ongoing and no amounts were wrtten off in the current year.

Audit fees

	2023	2022
Opening balance	4 538 566	5 724 052
Current year subscription / fee	9 160 265	(1 185 486)
Amount paid - current year	(12 778 932)	-
Less: Interest written-off	(749 082)	-
	170 817	**4 538 566**

Pay As You Earn (PAYE) and Unemployment Insurance Fund (UIF)

	2023	2022
Opening balance	1 710 227	1 716 488
Add: current year	22 270 348	22 300 428
Less: Paid current year	(22 296 360)	(22 306 689)
	1 684 215	**1 710 227**

Unemployment Insurance Fund (UIF)

	2023	2022
Opening balance	98 568	98 680
Add: current year	1 225 973	1 235 578
Less: Paid current year	(1 227 319)	(1 235 690)
	97 222	**98 568**

Figures in Rand	2023	2022

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

Pension and Medical Aid Deductions

	2023	2022
Opening balance	-	3 021 589
Current year subscription / fee	36 832 112	39 330 287
Amount paid - current year	(33 779 676)	(39 330 287)
Amount paid - previous years	-	(3 021 589)
	3 052 436	**-**

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 R	Outstanding more than 90 days R	Total R
Senosha MD	809	86	895
Tlaka MO	-	307	307
Mpunwana MN	3 278	3 637	6 915
	4 087	**4 030**	**8 117**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Makhubela MJ	1 678	554	2 232
Mashaba RL	2 994	1 953	4 947
	4 672	**2 507**	**7 179**

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

51. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these functional segments.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered..

The municipality operates in the Limpopo Province.

Aggregated segments

The municipality operates in the Limpopo Province.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services

51. Segment information (continued)

Governance and administration	Executive and council, Finance and administration and Internal audit.
Community and public safety	Community and social services, Sport and recreation and Public safety.
Economic and environmental services	Planning and development, Road transport and Environmental protection.
Trading services	Energy sources, Water management, Waste water management and Waste management.

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and public safety 2023	Economic and environmental services 2023	Governance and administration 2023	Trading services 2023
Revenue				
Service charge	9 667 525	-	-	180 388 303
Sale of goods and rendering of service	479 252	899 788	380 740	-
Rental of facilities and equipment	96 691	-	1 380 721	-
Agency services	4 883 306	-	-	-
Other income	685 224	-	3 720 732	-
Actuarial gains	-	-	10 959 146	-
Interest income	989 000	-	1 432 309	8 056 873
Property rates	-	-	108 940 485	-
Property rates - interest received	-	-	14 038 449	-
Licences and permits (non-exchange)	2 153 363	6 179	-	-
Government grants and subsidies	-	-	121 309 610	84 701 589
Fines	-	1 007 849	34 647 100	126 748
Total segment revenue	**18 954 361**	**1 913 816**	**296 809 292**	**273 273 513**

51. Segment information (continued)

	Community and public safety 2023	Economic and environmental services 2023	Governance and administration 2023	Trading services 2023
Expenditure				
Employee related costs	44 830 216	4 292 983	52 898 340	42 084 705
Remuneration of Councillors	-	-	7 787 821	-
Depreciation and amortisation	9 161 941	-	9 865 397	26 371 613
Fair value adjustments	-	-	1 874 491	-
Impairment of assets	-	-	1 925 477	-
Finance costs	-	-	21 335 505	-
Debt impairment	-	-	33 419 928	-
Bulk purchases	-	-	-	111 941 973
Contracted services	21 189 512	2 437 262	15 690 767	1 858 883
Loss on disposal of assets and liabilities	6 664	-	1 323 815	1 143 965
General expenditure	1 851 252	30 084	33 772 130	27 543 148
Total segment expenditure	**77 039 585**	**6 760 329**	**179 893 671**	**210 944 287**
Total segmental surplus/(deficit)	**(58 085 224)**	**(4 846 513)**	**116 915 621**	**62 329 226**
Assets				
Inventories	-	-	-	361 755
Other receivables from exchange transactions	3 461 973	918 086	(5 782 477)	61 990 603
Receivables from non-exchange transactions	(2 339 718)	(355)	107 511 151	(1 159 023)
Cash and cash equivalent	12 476 547	(4 964 859)	(253 349 179)	257 098 763
VAT Receivable	(9 903 160)	464 670	17 654 399	131 459 346
Investment property	-	-	277 399 825	-
Property plant and equipment	93 438 496	(1 534 177)	204 736 203	577 891 815
Intangible assets	-	-	1 595 900	-
Heritage assets	-	-	538 950	-
Other receivables from exchange transactions	-	-	140 580	-
Total segment assets	**97 134 138**	**(5 116 635)**	**350 445 352**	**1 027 643 259**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

	Community and public safety 2023	Economic and environmental services 2023	Governance and administration 2023	Trading services 2023
Liabilities				
Payables from exchange transactions	4 236 042	312 306	57 795 482	78 014 380
Consumer deposits	(49 575)	(3 259)	7 373 246	(365 349)
Employee benefit obligation - current	-	-	2 231 000	-
Employee benefit obligation - non-current	-	-	51 534 000	-
VAT Payable	7 735 396	400 822	39 515 371	88 352 430
Unspent conditional grants and receipts	(36 842)	-	(91 570 769)	99 046 022
Provisions - current	-	-	269 532	-
Provisions - non current	5 298 271	-	99 407 732	-
Total segment liabilities	**17 183 292**	**709 869**	**166 555 594**	**265 047 483**

	Community and public safety 2023	**Economic and environmental services 2023**	**Governance and administration 2023**	**Trading services 2023**
Net assets				
Accumulated surplus	79 950 846	(5 826 504)	183 889 758	762 596 776

52. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Budget differences (continued)

Statement of financial performance

Revenue analysis between budget and actual amounts above or below 10%
1. Service charges
Service charges recognised as revenue was less than budget forecast. These variances are attributable faulty and inaccessible water meters (inaccurate levying of water revenue).

2. Rental of facilities and equipment
Rental of facilities and equipment recognised as revenue was less than budget forecast. These variances are attributable to the economic conditions that the community at large currently encounters.

3. Sale of goods and rendering of services
Due to underestimation of services anticipated for the financial year i.e., building plans, cemetery and burial services. The demand for other goods and services was more than what was projected in the budget, the budget based on the average baseline of previous financial years.

4.Operational revenue
Other income is earned as and when the related services are rendered. The variance of indicates that more than anticipated services were rendered in the financial year due to a higher demand from the community.

5.Property rates
The variance is attributable to the under-estimation of the budget for property rates as well implementaion of section 78 of and supplementary roll outcomes

6.Licence and permits (non-exchange)
The variance was due temporary closure of the licensing and traffic division during the year.

8. Fines, penalties and forfeits
Implementation of road blocks, this then resulted in a sharp increase in traffic fine issued. This increase was not anticipated thus the actual amount was greater than the budgeted amoun. In addition to the latter, the improved implementaion of by-laws has also contributed in the revenue generation.

Expenditure analysis between budget and actual amounts above or below 10%

9.Employee cost
The variance between budget and actual was due to the fact that some of the positions that were budgeted for were not filled during the financial year, yet other posts that were vacant due to termination of contracts were not filled within the accounting period.

10.Finance cost
The variance was casused by the actuarial and landfill valuiationl non-cash items. The significant increase was not higher than anticipated budget.

11.Contracted services
The variance is caused by implementation of cost containment measures

12. General expenses
The variance of is caused by implementation of cost containment measures

13. Loss on disposal of assets
The varaince was due to the fact assets which were no longer in good condition were disposed off.

14. Fair Value adjustment
The variance was due to restatement of investment properties. A significant increase higher than anticipated during the adoption of the budget.

Statement of financial position

1.Inventories

Figures in Rand	2023	2022

52. Budget differences (continued)

The amount of R12 455 832 on the Statement of Comparison of Budget and Actual Amounts is incorrect. The amount as per the 202/2023 approved budget is R492 000 which should be reflected on the statement.

2.Receivables from exchange transactions

Less than anticipated collection from Water and Electricity trading services, due to illegal connections,faulty meters which resulted in estimations for the financial year.

3.Receivables from non-exchange transactions

The implementation of new valuation roll and less than anticipated collection from traffic fines

4.Unspent conditional grants and receipts

- Delayed submission of final close-up reports, as-built drawings and related Invoice for professional services.
- Multi-year projects-planned for professional services only up to procurement stage, which was delayed due to delay in the finalisation of designs.
- Poor performance by the Contractor, inclement weather and failure to procure materials on time delayed the completion of the project and expenditure thereof.
- Positioning of the tank due to lack of access, inclement weather and approval of variation order for additional work delayed the completion of the project and expenditure thereof.
- Contractor could not complete the works on time due to omission of certain items in the BOQ that are necessary for the project to become operational.

5.Employee benefit obligation

Increase in interest cost

53. Fair value adjustments

Fair value adjustments	1 874 491	(25 051 660)

54. Actuarial gains

Actuarial gains/losses	10 959 146	6 949 153

55. Loss on disposal of assets

Gain or loss on disposal of assets and liabilities	(2 474 443)	(11 702 098)

56. Debt impairment

Contributions to debt impairment provision	33 419 928	67 457 071

Notes to the Annual Financial Statements

57. Service in kind contribution

Road Agency Limpopo

A formal agreement was entered into between Bela Bela Local Municipality and Road Agency Limpopo to refurbish streets within the boundries around Bela Bela.

Road Agency Limpopo will, on behalf of the Bela-Bela Local Municipality, which falls within the Waterberg District Municipality, implement construction and/or maintenance and/or rehabilitation of road infrastructure projects relating to deteriorated and hazardous roads falling within the ambit of the municipality, as may be identified to from time to time between the parties.

The following streets were refurbished in the current financial year at no costs to the municipality and resulting in a service in kind:

- Luna RD
- Grobler Ave
- Van der Merwe Street
- Pretoria RD

The infrastructure refurbished, meet the definition of an asset and satisfy the criteria for recognition and as a result the transaction meet the definition of a service in kind.

At year end, it is impracticable for the municipality to determine the fair value of the as the work performed by Road Agency Limpopo was still 78% work in progress and the related costs were not yet made available to the municipality.

When the fair value is determined at the completion of the construction, the service in kind would be recognized as non-exchange revenue and the corresponding recognition of infrastructure assets at fair value of the improvement.

Waterberg District Municipality

The municipality was assisted by Waterberg District Municipality for the compilation support on the financial statements in the current (2022/2023) financial year. The services obtained from the Waterberg District Municipality could not be reliably fair valued, as the Municipality did not have an agreement with Waterberg District Municipality. The employee who assisted the municipality is a full time employee of the district who is fully paid by the district, time records were not kept of the time that he spent on the affairs for Bela Bela Local Municipality, however the time spent was insignificant compared to his full time employment at the district, therefore, the fair value of the service in kind could not be quantified.

Department of Water Services

Bela-Bela Local Municipality is a water services authority in terms of the Water Services Act, Act 108 of 1997. The municipality's areas of supply includes Bela-Bela Town. Raw water is extracted from Plat River Dam and Warmbaths Dam. In terms of the National Register of Water Use Registration Record (26057294) registered volume (in cubic metres) is 1 141 982 and 7 960 000 per year for Plat River and Warmbaths respectively. The raw water is purified at the Bela-Bela water treatment works plant local in Bela-Bela Town prior to it being distributed to the command reservoirs for distribution to consumers.
The municipality has not signed a service level agreement with the department of water and sanitation and therefore has not incurred any costs in the extraction of the raw water from the dam since inception of the extraction of the raw water from the dams. The benefit was not recognized in the financial statements for the current and the prior periods because the municipality could not determine the fair value of the benefit derived from the extraction.

The volumes extracted in the current year are 715 080 kilo litres (2022: 1 117 237 kilo litres). The benefit obtained by the municipality represents a significant benefit which is integral to our operations and the service delivery objectives.

57. Service in kind contribution (continued)

58. Principle - Agent Arrangement

Municipality acting as the Agent

Payables held on behalf of the principal	**2023**	**2022**
Statement of financial performance Revenue commission/agency recognized as compensation for the transactions carried out on behalf of the Principal	4,880,160.49	3,894,844.67
Total amount received by the municipality during the year under review	24 440 800	19 474 220

The municipality is a party to a principal-agent arrangement
The municipality is the agent to the provincial department of transport

The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial department entered into a contractual arrangement with the Bela-Bela local municipality to undertake this activity on their behalf.in terms of the arrangement:

The provincial department of transport issues the motor vehicle license renewal form to the respective owners of the motor vehicle, indicating the amount due for the year

The municipality provides facilities for owners of motor vehicles to pay their licenses
The provincial department of transport provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicles licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due

The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government

The municipalities is required to pay over any revenue (cash) collected to the provincial department in respect of motor vehicles licenses

The municipalities is entitled to retain 20% of the cash collected for undertaking this activity of the provincial department of Transport

No significant risks exist other than risks associated with cash management. The application controls designed withing the IT system are adequate to correctly account for such revenues

ELECTRICITY PREPAYMENT SERVICE AGREEMENT

Principles-Agent Arrangement	**2023**	**2022**
Landis+Gyr acting as the Agent of the Municipality Commission paid on Landis+Gyr	3 787 775	4 112 252

There are no receivables held on behalf of the principal

The Service which Landis+Gyr shall provide for the Client shall be the granting of remote access to the System ,to the Client or Managing Agent, to obtain Tokens for Consumers; and to Consumers, to purchase Tokens for themselves.

Landis+Gyr shall keep full and proper accounts and records showing clearly all transactions in relation to the Services, which accounts and records shall be separate from those relating to other clients of Landis+Gyr.

57. Service in kind contribution (continued)

Landis+Gyr shall provide to the Client such number of Reports as the Client may from time to time require, up to a maximum of four Reports per month at no additional charge to the Client, and any further Reports per month at a fair and reasonable charge payable by the Client, on the value of Tokens issued by or for Consumers

Landis+Gyr shall remit to the Client, by the fifth Business Day in each month, all Token payments received by Landis+Gyr during the preceding month, less such amount as Landis+Gyr is permitted to deduct in accordance with clause 13 .

The Landis+Gyr are entitled to retain 4% of the cash collected for undertaking this activity of the municipality

The Landis+Gyr therefore permits the Municipality to utilise its software for undertaking this activity, to issue Tokens for Consumers after purchase and access to reports (monitoring and evaluation) through the SUPRIMA system.

No significant risks exist other than risks associated with cash management.

59. Events after reporting date

No events having implications requiring disclosure occured subsequent to 30 June 2023.