Magareng Local Municipality
(Registration number NC093)
Annual Financial Statements
for the year ended June 30, 2023

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Magareng Municipality is a local municipality performing functions as set out in the Constitution, Act 105 of 1996
Mayoral committee	
Mayor	Ms N Mase
Speaker	BG Plata
Councillors	B Mokomela (Ward 1)
	MF Mokitimi (Ward 2)
	CM Mere (Ward 3)
	LO Amose (Ward 4)
	LR Namelang (P.R Councillor EFF)
	KC Mekhoa (P.R Councillor EFF)
	L Valtyn (P.R Councillor PA)
	D Watson (P.R Councillor DA)
	WJ Potgieter (Ward 5)
Grading of local authority	Category B as defined by the Municipal Structures Act, Act no 117 of 1998
Accounting Officer	Mr T Thage - Acting since 1 July 2022
Chief Finance Officer (CFO)	Ms KV Khaziwa - Acting since 13 December 2022
	Ms MM Motswaledi - Service ended 12 December 2022
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	ABSA
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners State Attorney Frances Baard DM Legal and Compliance department
Members of Audit Committee	Mr GR Botha (Chairperson) Mr T Mudamburi Mr Masikela SP

General Information

Enabling Legislation	Municipal Finance Management Act (Act no.56 of 2003)
	Division of Revenue Act
	The Income Tax Act (Act no. 58 of 1962)
	Value Added Tax Act (Act no. 89 of 1991)
	Municipal Structures Act (Act no. 117 of 1998)
	Municipal Systems Act (Act no. 32 of 2000)
	Municipal Planning and Performance Management Regulations
	Housing Act (Act no. 107 of 1997)
	Employment Equity Act (Act no. 55 of 1998)
	Unemployment Insurance Act (Act no. 30 of 1966)
	Basic Conditions of Employment Act (Act no. 75 of 1997)
	Supply Chain Management Regulations, 2005
	Disaster Management Act of 2016
	Spatial Planning and Land Use Management Act (Act 16 of 2013)
	Property Rates Act 6 of 2004
	Municipal Regulations on Standard Chart of Accounts
	Municipal Budget and Reporting Regulations

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

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

Mr T Thage
Acting Municipal Manager

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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.

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

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

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

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Mr T Thage
Acting Municipal Manager

Accounting Officer's Report

The accounting officers submit their report for the year ended June 30, 2023.

1. Review of activities

Main business and operations

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

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

Net deficit of the municipality was R 44,156,973 (2022: deficit R 26,889,768)

2. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus of R 173,081,916 and that the municipality's total liabilities exceed its assets by R 173,081,916.

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

Furthermore, management has reviewed the municipality's cash flow forecast for the year ended 30 June 2024 and in light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

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

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 42

3. Subsequent events

Matters arising since the end of the financial year have been disclosed on note 49.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

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

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr T Thage	South African	Appointed 1 July 2022

7. Auditors

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

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Inventories	3	115,736	163,811
Statutory receivables from non-exchange transactions	4	11,850,383	7,169,291
Statutory receivables from exchange transactions	5	35,005,596	30,814,115
Receivables from exchange transactions	6	23,950,288	7,594,410
Cash and cash equivalents	7	733,583	241,514
		71,655,586	**45,983,141**
Non-Current Assets			
Investment property	8	23,468,300	24,867,500
Property, plant and equipment	9	388,398,016	433,152,068
Intangible assets	10	9,895	19,790
Heritage assets	11	370,999	370,999
Receivables from exchange transactions	12	-	3
Statutory receivables from non-exchange transactions	4	-	1
		412,247,210	**458,410,361**
Total Assets		**483,902,796**	**504,393,502**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	284,087,348	261,456,428
Consumer deposits	14	1,039,938	1,034,517
Employee benefit obligation	15	7,100,866	6,726,029
Unspent conditional grants and receipts	16	9,019,447	5,202,453
		301,247,599	**274,419,427**
Non-Current Liabilities			
Employee benefit obligation	17	4,404,000	4,714,000
Provisions	18	5,169,281	8,021,184
		9,573,281	**12,735,184**
Total Liabilities		**310,820,880**	**287,154,611**
Net Assets		**173,081,916**	**217,238,891**
Accumulated surplus		173,081,916	217,238,891
Total Net Assets		**173,081,916**	**217,238,891**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Service charges	19	32,741,593	38,024,740
Interest received (trading)		13,928,848	7,483,835
Agency services	20	38,123	93,314
Rental income	21	2,521	12,255
Commission	21	-	58,431
Other income	22	659,413	917,122
Interest received - investment	23	10,944	94,730
Total revenue from exchange transactions		**47,381,442**	**46,684,427**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	12,263,191	11,674,126
Licences and Permits (Non-exchange)	25	71,313	240,823
Interest - Taxation revenue	26	3,020,068	1,466,801
Transfer revenue			
Government grants & subsidies	27	95,234,355	91,593,982
Public contributions and donations	28	1,672,536	326,348
Fines, Penalties and Forfeits	29	678,989	126,800
Contributed Property, plant and equipment	55	1,346,247	4,780,677
Total revenue from non-exchange transactions		**114,286,699**	**110,209,557**
Total revenue	30	**161,668,141**	**156,893,984**
Expenditure			
Employee related costs	31	(52,901,878)	(52,129,857)
Remuneration of councillors	32	(4,672,680)	(4,263,308)
Depreciation and amortisation	33	(23,553,434)	(29,567,324)
Finance costs	34	(7,529,782)	(4,284,573)
Debt Impairment	35	(17,507,600)	(35,390,970)
Bulk purchases	36	(26,768,066)	(33,828,407)
Contracted services	37	(8,760,831)	(5,684,759)
Transfers and Subsidies	38	-	(946,907)
Operational cost	39	(10,171,966)	(9,123,463)
Inventory consumed	40	(7,809,464)	(8,160,058)
Total expenditure		**(159,675,701)**	**(183,379,626)**
Operating surplus (deficit)		**1,992,440**	**(26,485,642)**
Loss on disposal of assets and liabilities		(46,281,171)	(699,740)
Actuarial gains/losses	17	382,156	295,614
Impairment loss		(250,398)	-
		(46,149,413)	**(404,126)**
Deficit for the year		**(44,156,973)**	**(26,889,768)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	150,123,270	150,123,270
Adjustments		
Correction of errors 56	94,005,389	94,005,389
Balance at July 1, 2021 as restated*	**244,128,659**	**244,128,659**
Changes in net assets		
Surplus for the year	(26,889,768)	(26,889,768)
Total changes	(26,889,768)	(26,889,768)
Balance at July 1, 2022	**217,238,889**	**217,238,889**
Changes in net assets		
Surplus for the year	(44,156,973)	(44,156,973)
Total changes	(44,156,973)	(44,156,973)
Balance at June 30, 2023	**173,081,916**	**173,081,916**

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Sale of goods and services		10,934,783	20,894,746
Grants		99,051,350	96,034,787
Interest income		16,959,860	9,045,366
		126,945,993	125,974,899
Payments			
Employee costs		(57,509,720)	(56,278,523)
Suppliers		(35,022,818)	(39,089,809)
Finance costs		(6,664,175)	(4,284,573)
		(99,196,713)	(99,652,905)
Net cash flows from operating activities	43	**27,749,280**	**26,321,994**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(27,257,211)	(32,754,655)
Net increase/(decrease) in cash and cash equivalents		**492,069**	**(6,432,661)**
Cash and cash equivalents at the beginning of the year		241,514	6,674,175
Cash and cash equivalents at the end of the year	7	**733,583**	**241,514**

The accounting policies on pages 13 to 48 and the notes on pages 49 to 105 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	43,325,144	38,916	**43,364,060**	32,741,593	**(10,622,467)**	57, x1
Rental of facilities and equipment	2,727	3	**2,730**	-	**(2,730)**	57, x2
Interest received (trading)	5,223,152	6,194,673	**11,417,825**	13,928,848	**2,511,023**	57, x3
Agency services	-	-	**-**	38,123	**38,123**	57, x4
Rental income	-	-	**-**	2,521	**2,521**	57, x5
Other income - (rollup)	1,914,414	36,716	**1,951,130**	659,413	**(1,291,717)**	57, x6
Interest received - investment	3,121,535	(3,121,535)	**-**	10,944	**10,944**	57, x6
Total revenue from exchange transactions	**53,586,972**	**3,148,773**	**56,735,745**	**47,381,442**	**(9,354,303)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,318,872	28	**12,318,900**	12,263,191	**(55,709)**	57, x7
Licences and Permits (Non-exchange)	-	-	**-**	71,313	**71,313**	57, x7
Interest - Taxation revenue	-	-	**-**	3,020,068	**3,020,068**	57, x8
Transfer revenue						
Government grants & subsidies	88,576,000	20,776,110	**109,352,110**	95,234,355	**(14,117,755)**	57, x9
Public contributions and donations	-	-	**-**	1,672,536	**1,672,536**	57, x10
Fines, Penalties and Forfeits	45,819	7,171	**52,990**	678,989	**625,999**	57, x11
Other transfer revenue 1	-	-	**-**	1,346,247	**1,346,247**	57, x12
Total revenue from non-exchange transactions	**100,940,691**	**20,783,309**	**121,724,000**	**114,286,699**	**(7,437,301)**	
Total revenue	**154,527,663**	**23,932,082**	**178,459,745**	**161,668,141**	**(16,791,604)**	
Expenditure						
Personnel	(53,077,824)	8,582,193	**(44,495,631)**	(52,901,878)	**(8,406,247)**	57, x13
Remuneration of councillors	(4,675,281)	(791,209)	**(5,466,490)**	(4,672,680)	**793,810**	57, x14
Depreciation and amortisation	(30,431,408)	4,457,568	**(25,973,840)**	(23,553,434)	**2,420,406**	57, x15
Impairment loss/ Reversal of impairments	-	-	**-**	(250,398)	**(250,398)**	57, x16
Finance costs	-	-	**-**	(7,529,782)	**(7,529,782)**	57, x17
Debt Impairment	(37,815,384)	2,424,384	**(35,391,000)**	(17,507,600)	**17,883,400**	57, x18
Collection costs	-	-	**-**	(7,809,464)	**(7,809,464)**	57, x19
Bulk purchases	(24,750,000)	-	**(24,750,000)**	(26,768,066)	**(2,018,066)**	57, x20
Contracted Services	(6,719,922)	815,092	**(5,904,830)**	(8,760,831)	**(2,856,001)**	57, x21
Transfers and Subsidies	(20,000)	20,000	**-**	-	**-**	57, x22
General Expenses	(13,673,944)	1,547,404	**(12,126,540)**	(10,171,966)	**1,954,574**	57, x23
Total expenditure	**(171,163,763)**	**17,055,432**	**(154,108,331)**	**(159,926,099)**	**(5,817,768)**	
Operating surplus	**(16,636,100)**	**40,987,514**	**24,351,414**	**1,742,042**	**(22,609,372)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(46,281,171)	**(46,281,171)**	57, x24
Actuarial gains/losses	-	-	-	382,156	**382,156**	57, x25
	-	**-**	**-**	**(45,899,015)**	**(45,899,015)**	
Deficit before taxation	**(16,636,100)**	**40,987,514**	**24,351,414**	**(44,156,973)**	**(68,508,387)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(16,636,100)**	**40,987,514**	**24,351,414**	**(44,156,973)**	**(68,508,387)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	467,483	-	**467,483**	115,736	**(351,747)**	57, x26
Statutory receivables from non-exchange transactions	51,485,988	-	**51,485,988**	11,850,383	**(39,635,605)**	57, x26
VAT receivable	-	-	**-**	35,005,596	**35,005,596**	57, x27
Consumer debtors	28,402,377	-	**28,402,377**	23,950,288	**(4,452,089)**	57, x28
Cash and cash equivalents	62,108,319	-	**62,108,319**	122,619,052	**60,510,733**	57, x28
	142,464,167	**-**	**142,464,167**	**193,541,055**	**51,076,888**	
Non-Current Assets						
Investment property	23,831,200	-	**23,831,200**	23,468,300	**(362,900)**	57, x29
Property, plant and equipment	300,056,438	19,776,110	**319,832,548**	388,398,016	**68,565,468**	57, x30
Intangible assets	79,162	-	**79,162**	9,895	**(69,267)**	57, x31
Heritage assets	370,999	-	**370,999**	370,999	**-**	
Receivables from exchange transactions	833	-	**833**	-	**(833)**	57, x32
	324,338,632	**19,776,110**	**344,114,742**	**412,247,210**	**68,132,468**	
Total Assets	**466,802,799**	**19,776,110**	**486,578,909**	**605,788,265**	**119,209,356**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	230,550,097	36,144,238	**266,694,335**	284,087,345	**17,393,010**	57, x33
Consumer deposits	1,254,309	-	**1,254,309**	1,039,938	**(214,371)**	57, x34
Employee benefit obligation	-	-	**-**	7,100,866	**7,100,866**	57, x35
Unspent conditional grants and receipts	-	-	**-**	9,019,447	**9,019,447**	57, x36
Provisions	6,441,958	-	**6,441,958**	-	**(6,441,958)**	57, x37
Bank overdraft	253,960,498	(36,561,843)	**217,398,655**	121,885,469	**(95,513,186)**	57, x38
	492,206,862	**(417,605)**	**491,789,257**	**423,133,065**	**(68,656,192)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	4,404,000	**4,404,000**	57, x39
Provisions	3,104,520	-	**3,104,520**	5,169,281	**2,064,761**	57, x40
	3,104,520	**-**	**3,104,520**	**9,573,281**	**6,468,761**	
Total Liabilities	**495,311,382**	**(417,605)**	**494,893,777**	**432,706,346**	**(62,187,431)**	
Net Assets	**(28,508,583)**	**20,193,715**	**(8,314,868)**	**173,081,919**	**181,396,787**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(28,508,583)	20,193,715	**(8,314,868)**	173,081,916	**181,396,784**	

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate.

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

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

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

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

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

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

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

Accounting Policies

1.4 Investment property (continued)

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

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

- Are the properties owner-occupied or occupied by external parties?
- Have the properties been strategically allocated for a specific purpose?
- Has the municipality commenced with a process to sell the properties?

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9). Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the ‘repairs and maintenance’ of the item of property, plant and equipment.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement

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

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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	10-30 years
Infrastructure	Straight-line	5 - 90 years
Community assets	Straight-line	7 - 25 years
Landfill sites	Straight-line	10 years
Other assets	Straight-line	5 -10 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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 42. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which 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.

1.7 Intangible assets

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

Intangible assets are initially recognised at cost.

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.

Subsequent measurement

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematice basis over its useful life. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another 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	3 -10 years

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

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

1.8 Heritage assets

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at cost.

A heritage asset shall be recognised as an asset if, and only if:

(a) it is probably that future economic benefits or service potential associated with the asset will flow to the municipality; and
(b) the cost or fair value of the asset can be measured reliably.

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.

If a heritage asset is not recognised, any initial costs to assess the state of the heritage asset and any costs incurred subsequently is recognised in surplus or deficit as incurred.

The entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. These costs are recognised in surplus or deficit as incurred.

Subsequent measurement

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

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

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

Impairment

The heritage assets of the municipality shall not be depreciated but, the municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

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

Derecognition

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

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

Application of deemed cost - Directive 7

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

Accounting Policies

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

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

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

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

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

1.9 Financial instruments (continued)

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

Liquidity risk is the risk encountered by an 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;
- 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.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Other 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
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, unless the financial asset or liability is subsequently measured at fair value, in which case the municipality initially measures the financial asset or liability at its fair value.

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

The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements,where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.10 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.

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.11 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.

Inventories shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

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

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

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

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

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

The cost of inventories is assigned using the 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.

1.12 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.

1.12 Impairment of cash-generating assets (continued)

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

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

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

(iii) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information:

(i) Evidence is available of obsolescence or physical damage of an asset;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition

(iv) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, 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.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 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.

1.13 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.

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

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) Cessation, or near cessation, of the demand or need for services provided by the asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information:

(i) Evidence is available of physical damage of an asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition;

(iv) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

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.

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

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.

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.

1.14 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

The entity 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.

1.14 Employee benefits (continued)

Termination benefits

The entity 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 entity 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.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Provisions and contingencies

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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 46.

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.

Accounting Policies

1.16 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.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, 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.

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.

Pre-paid electricity

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Accounting Policies

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

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

Accounting Policies

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Materiality

Material 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. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.28 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 7/1/2021 to 6/30/2022.

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

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

1.29 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.

Accounting Policies

1.30 Value Added Tax (VAT)

The municipality accounts to the South African Revenue Services for VAT on the Cash basis at the standard rate ,except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12, or are out of scope for VAT.

VAT is recognised in the municipality's accounting records on the accrual basis of accounting, in accordance with GRAP 1, paragraph 31. Under the accrual basis of accounting, VAT is recognised when the related expenditure or revenue transaction qualifies for recognition in the accounting records, and not when the related cash flow occurs.

1.31 Accumulated surplus

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

1.32 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

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.

1.32 Statutory receivables (continued)

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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.

Accounting Policies

1.32 Statutory receivables (continued)

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.

1.33 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.

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.

Accounting Policies

1.33 Accounting by principals and agents (continued)

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

1.34 Segment information

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

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

Measurement

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 1, 2023 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after April 1, 2023.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

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

GRAP 25 (as revised): Employee Benefits

Background

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

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

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

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

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

Key amendments to GRAP 25

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The effective date of these revisions have not yet been set. April 1, 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

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

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

Background

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

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

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

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

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

The effective date of these revisions have not yet been set. April 1, 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 April 1, 2023.

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 April 1, 2023.

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

GRAP 2020: Improvements to the standards of GRAP 2020

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

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

Amendments include,

GRAP 5 – Borrowing Costs
- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases
- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property
- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures
- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

GRAP 37 – Joint Arrangements

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

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

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

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

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

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Disclosure of accounting policies

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

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2025.

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods but are not relevant to its operations:

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 these revisions have not yet been set.

The effective date of the standard is for years beginning on or after April 1, 2023.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

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

GRAP 104 (as revised): Financial Instruments

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Inventories

Water for distribution	-	48,075
Unsold Properties Held for Resale	115,736	115,736
	115,736	**163,811**

4. Statutory receivables from non-exchange transactions

Fines	31,895,737	31,309,412
Government grants and subsidies	954,343	-
Prepaid electricity receivable	664,123	965,085
Prepaid expense	-	563,170
Other receivables	599,159	444,647
Property rates	81,044,276	69,267,548
Less: Impairment	(103,307,255)	(95,380,570)
	11,850,383	**7,169,292**

Non-current assets	-	1
Current assets	11,850,383	7,169,291
	11,850,383	**7,169,292**

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at yearend.

Traffic fines: Ageing		
91 days +	31,895,737	31,309,412
Subtotal	31,895,737	31,309,412
Less: debt impairment	(31,215,019)	(31,215,019)
	680,718	**94,393**

Property rates: Ageing		
Current (0-30 days)	1,243,406	1,062,724
31 - 60 days	1,189,749	1,016,864
61 - 90 days	1,117,758	955,334
91 days +	77,493,363	66,232,625
Subtotal	81,044,276	69,267,547
Less: debt impairment	(72,092,236)	(64,165,550)
	8,952,040	**5,101,997**

Credit quality of statutory receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables from non-exchange transactions past due but not impaired

All receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

The ageing of amounts for propert rates due but not impaired is as follows:

1 month past due	98,506	72,867
2 months past due	58,358	4,952,977

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions impaired

As of June 30, 2023, statutory receivables from non-exchange transaction of R 103,307,255 (2022: R 95,380,570) were impaired and provided for.

The ageing of the amounts relating to property rates are as follws:

0 to 3 months	3,375,803	2,817,444
3 to 6 months	3,980,755	3,110,984
Over 6 months	73,687,718	60,168,144

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

Balance at the beginning of the year	(95,380,569)	(89,669,766)
Contribution (to) / from allowance property rates	(7,926,686)	(5,675,048)
Contribution (to) / from allowance traffic fines	-	(35,755)
	(103,307,255)	**(95,380,569)**

5. Statutory receivables from exchange transactions

VAT receivable	35,005,596	30,814,115

6. Receivables from exchange transactions

Gross balances		
Electricity	45,426,816	44,933,353
Water	101,095,561	87,212,236
Sewerage	85,904,567	72,507,310
Refuse	65,052,161	57,156,297
Sundry	2,378,798	2,131,824
	299,857,903	**263,941,020**
Less: Allowance for impairment		
Electricity	(26,943,026)	(38,789,712)
Water	(97,640,869)	(86,499,469)
Sewerage	(85,255,867)	(72,225,245)
Refuse	(64,063,600)	(56,913,082)
Sundry	(2,004,253)	(1,919,102)
	(275,907,615)	**(256,346,610)**
Net balance		
Electricity	18,483,790	6,143,641
Water	3,454,692	712,767
Sewerage	648,700	282,065
Refuse	988,561	243,215
Sundry	374,545	212,722
	23,950,288	**7,594,410**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	1,865,331	1,533,861
31 - 60 days	879,533	494,767
61 - 90 days	685,680	329,110
91+ days	41,996,271	42,575,616
Less: impairment	(26,943,025)	(38,789,713)
	18,483,790	**6,143,641**

Water		
Current (0 -30 days)	1,030,588	924,386
31 - 60 days	1,785,202	1,684,770
61 - 90 days	103,558	990,734
91 days +	98,176,212	83,612,347
Less: impairment	(97,640,868)	(86,499,470)
	3,454,692	**712,767**

Sewerage		
Current (0 -30 days)	1,001,255	882,466
31 - 60 days	985,539	870,818
61 - 90 days	1,055,987	870,974
91 days +	82,861,786	69,883,052
Less: impairment	(85,255,867)	(72,225,245)
	648,700	**282,065**

Refuse		
Current (0 -30 days)	785,532	647,500
31 - 60 days	856,901	634,589
61 - 90 days	958,421	631,620
91 days +	62,451,307	55,242,589
Less: impairment	(64,063,600)	(56,913,083)
	988,561	**243,215**

Sundry		
Current (0 -30 days)	39,562	30,451
31 - 60 days	71,502	49,279
61 - 90 days	47,255	24,163
91 days +	2,220,480	2,027,932
Less: impairment	(2,004,254)	(1,919,103)
	374,545	**212,722**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(263,742,392)	(231,147,765)
Contributions to allowance	(12,165,223)	(25,198,845)
	(275,907,615)	**(256,346,610)**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2023, R 6,741,324 (2022: R 4,954,529) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	850,789	53,463
2+ months past due	5,890,535	4,901,066

Receivables from exchange transactions impaired

As of June 30, 2023, consumer debtors of R 275,907,615 (2022: R 256,346,610) were impaired and provided for.

The ageing of these loans is as follows:

0 to 3 months	4,138,614	9,634,402
3 to 6 months	55,181,523	10,974,570
Over 6 months	216,587,478	249,762,752

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	495,903	69,218
Short-term deposits	183,241	172,296
Cash in transit	54,439	-
	733,583	**241,514**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
ABSA Bank - Current Account - 4096525022	495,903	69,218	2,847,995	495,903	69,218	2,847,995
Absa Bank - 7 day notice account - 9351945669	162,891	152,956	3,770,318	162,891	152,956	3,770,318
Absa Bank - 7 day notice account - 9355869912	966	966	1,004	966	966	1,004
Absa Bank - 7 day notice account - 9355871747	19,384	18,375	54,851	19,384	18,375	54,851
Cash in transit	54,439	-	-	54,439	-	-
Total	**733,583**	**241,515**	**6,674,168**	**733,583**	**241,515**	**6,674,168**

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	24,777,500	(1,309,200)	23,468,300	24,867,500	-	24,867,500

Reconciliation of investment property - 2023

	Opening balance	Disposals	Impairments	Total
Investment property	24,867,500	(90,000)	(1,309,200)	23,468,300

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	24,867,500	24,867,500

Pledged as security

There are no investment properties pledged as security.

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Investment property (continued)

Deemed cost

Deemed cost was determined using fair value.

Investment Property (Land) is not controlled, but Magareng Municipality is the legal owner/custodian

All erven relating to housing projects where the title deed is still in the name of the municipality, but it is no longer controlled by the munciipality are applicable.

Key judgements and assumptions applied:
- There is a binding arrangement with the Department of Housing to build houses on such land.
- The municipality does not have the right to deny or restrict access even though the title deed is still in their name.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87,017,463	(31,896,232)	55,121,231	97,343,802	-	97,343,802
Buildings	58,945,107	(31,691,596)	27,253,511	62,470,852	(32,257,656)	30,213,196
Other assets	16,753,317	(11,425,139)	5,328,178	13,484,120	(10,643,386)	2,840,734
Infrastructure	460,016,768	(289,602,765)	170,414,003	456,454,295	(273,814,797)	182,639,498
Landfill sites	3,993,052	(790,350)	3,202,702	7,328,406	(523,458)	6,804,948
Work in progress	127,078,391	-	127,078,391	113,309,890	-	113,309,890
Total	**753,804,098**	**(365,406,082)**	**388,398,016**	**750,391,365**	**(317,239,297)**	**433,152,068**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers from Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	97,343,802	-	(10,326,339)	-	-	-	(31,896,232)	55,121,231
Buildings	30,213,196	-	(928,034)	-	-	(2,023,921)	(7,730)	27,253,511
Other property, plant and equipment	2,840,734	3,371,745	(3,174)	-	-	(837,466)	(43,661)	5,328,178
Infrastructure assets	182,639,498	-	(1,731,366)	10,116,965	-	(20,415,260)	(195,834)	170,414,003
Landfill sites	6,804,948	-	-	-	(3,335,354)	(266,892)	-	3,202,702
Work in progress	113,309,890	23,885,466	-	(10,116,965)	-	-	-	127,078,391
	433,152,068	**27,257,211**	**(12,988,913)**	**-**	**(3,335,354)**	**(23,543,539)**	**(32,143,457)**	**388,398,016**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers from Work in progress	Depreciation	Impairment loss	Total
Land	92,843,802	4,500,000	-	-	-	-	97,343,802
Buildings	27,729,951	-	(846,755)	5,526,871	(2,196,871)	-	30,213,196
Other property plant and equipment	1,281,909	2,696,006	(38,476)	-	(687,705)	(411,000)	2,840,734
Infrastructure assets	207,598,922	136,666	-	1,043,410	(26,139,500)	-	182,639,498
Landfill sites	7,328,406	-	-	-	(523,458)	-	6,804,948
Work in progress	94,458,308	25,421,983	-	(6,570,401)	-	-	113,309,890
	431,241,298	**32,754,655**	**(885,231)**	**(120)**	**(29,547,534)**	**(411,000)**	**433,152,068**

Pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year-end.

Figures in Rand	2023	2022

9. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2023	2022
Water Infrastructure	126,087,997	110,171,017
Sewerage Infrastructure	990,512	990,513
Community Infrastructure	-	5,526,871
	127,078,509	**116,688,401**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2023	2022
Upgrading of water treatment works (RBIG) project in Warrenton: BK092	75,369,124	75,369,124
Upgrading of sports facility in ikhutseng TECH 08/08/09 (community asset project)	20,271,703	-
Refurbishment of Warrenton waste water treatment plant and N12 pump station	273,252	273,252
New Internal Water Reticulation Network in Ditshotshwaneng, Rabatji & Sonderwater - Phase 1	990,512	990,512
	96,904,591	**76,632,888**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	113,310,009	113,310,009
Additions/capital expenditure	23,885,466	23,885,466
Transferred to completed Items	(10,116,965)	(10,116,965)
	127,078,510	**127,078,510**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included Within Buildings	Total
Opening balance	89,223,459	5,234,848	94,458,307
Additions/capital expenditure	25,129,960	292,023	25,421,983
Transferred to completed items	(1,043,410)	(5,526,871)	(6,570,281)
	113,310,009	**-**	**113,310,009**

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
Inventory, spares and parts consumed	7,809,464	8,160,058

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

Notes to the Annual Financial Statements

Figures in Rand

10. 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	885,244	(875,349)	9,895	885,244	(865,454)	19,790

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	19,790	(9,895)	9,895

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	39,581	(19,791)	19,790

Pledged as security

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

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	370,999	-	370,999	370,999	-	370,999

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	370,999	370,999

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	370,999	370,999

Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no heritage assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Heritage assets (continued)

Revaluations

Art collections

The effective date of the revaluation was 6/30/2017.

No revaluations were performed during the year as there were no significant changes in the market.

12. Receivables from exchange transactions

Electricity	-	2,451,620
Water	-	3,482,094
Sewerage	-	557,391
Refuse	-	772,974
Sundry	-	131,707
Less: impairment	-	(7,395,783)
	-	**3**

Non-current receivables represent consumer debtors with arrangements to pay off their debts over a period of more than 12 months.

These debtors are fully impaired as per the municipality's impairment methodology.

13. Payables from exchange transactions

Trade payables	256,208,394	234,345,250
Payments received in advanced	4,417,776	3,864,629
Unknown deposits	6,593,904	7,599,183
Salary control	5,168,629	5,172,468
Retention creditor	11,660,320	10,458,133
Sundry creditors	38,325	16,765
	284,087,348	**261,456,428**

14. Consumer deposits

Electricity	227,449	198,968
Water	669,569	692,629
Regional services levies	130,322	130,322
Housing rental	12,598	12,598
	1,039,938	**1,034,517**

15. Employee benefit obligation - current

Staff bonuses	1,456,876	1,397,818
Staff leave	4,849,990	4,840,211
Current Portion of Post Retirement Benefits - Note 16	231,000	217,000
Current Portion of Long-Service Provisions - Note 16	563,000	271,000
	7,100,866	**6,726,029**

Figures in Rand	2023	2022

15. Employee benefit obligation - current (continued)

Staff Bonuses		
Balance at the beginning of the year	1,397,817	1,424,472
Contribution to current portion	2,502,485	2,581,110
Expenditure incurred	(2,443,427)	(2,607,765)
	1,456,875	**1,397,817**

Bonuses have been paid to all Municipal staff including the Section 57 Managers as per their package structures. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement

Staff Leave		
Balance at the beginning of the year	4,840,211	5,132,826
Contribution to current portion	514,064	177,027
Expenditure incurred	(504,285)	(469,642)
	4,849,990	**4,840,211**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Relief Grant (MDG)	5,145,001	4,335,594
Library Development Fund	333,439	-
Municipal Infrastructure Grant (MIG)	1,650,282	866,859
Water Services Infrastructure Grant (WSIG)	1,890,725	-
	9,019,447	**5,202,453**

Movement during the year

Balance at the beginning of the year	5,202,453	761,808
Additions during the year	104,475,800	102,742,717
Income recognition during the year	(95,234,355)	(91,593,982)
Funds forfeited	(5,424,451)	(6,708,090)
	9,019,447	**5,202,453**

The Unspent Grants are not cash-backed by term deposits or any other form of cash and cash equivalents

See note 27 for reconciliation of grants from National/Provincial Government.

Unspent grants can mainly be attributed to projects that are still work in progress on the relevant financial year-ends

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2,266,000)	(2,378,000)
Present value of the defined benefit obligation-partly or wholly funded	(2,932,000)	(2,824,000)
	(5,198,000)	**(5,202,000)**

Non-current liabilities	(4,404,000)	(4,714,000)
Current liabilities	(794,000)	(488,000)
	(5,198,000)	**(5,202,000)**

Benefits

Post-retirement medical aid benefit	(2,035,000)	(2,161,000)
Long service awards	(2,369,000)	(2,553,000)
	(4,404,000)	**(4,714,000)**

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(2,378,000)	(2,398,000)
Interest cost	(246,000)	(210,000)
Benefits paid during the year	309,928	130,085
Actuarial gains/(losses)	48,072	99,915
.	(2,266,000)	(2,378,000)
Less: Transfer to current portion	231,000	217,000
	(2,035,000)	**(2,161,000)**

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

Members		
Current (In service) members	-	-
Continuation members (pensioners)	5	5
	5	**5**

The liability in respect of past service has been estimated to be as follows:

Liability		
Current (In service) members	-	-
Continuation members (pensioners)	2,266,000	2,738,000
	2,266,000	**2,738,000**

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

Key actuarial assumptions used:

Figures in Rand	2023	2022

17. Employee benefit obligations (continued)

Discount rate	11,15%	10,81%
CPI (Consumer Price Inflation)	5,50%	6,24%
Health Care Cost Inflation Rate	7,00%	7,74%
Net discount rate	3,88%	2,85%

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

Discount Rate

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

Consequently, a discount rate of 11,16% per annum has been used. The corresponding index-linked yield at this term is 4,88%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2023.

Health Care Cost Inflation Rate:

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

A health care cost inflation rate of 7,00% has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 5,50%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3,88% which derives from ((1+11.15%)/(1+7.00%))-1.

The expected inflation assumption of 5,50% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4,88%) and those of fixed interest bonds (11,15%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). This was therefore determined as follows: ((1+11.15%-0.50%)/(1+4.88%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2024.

Demographic Assumptions

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

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Family Profile

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

Sensitivity analysis

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

Figures in Rand	2023	2022

17. Employee benefit obligations (continued)

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

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Continuation members
Central assumptions			2,266,000
Health care inflation rate	+1% yr	8%	2,440,000
Health care inflation	-1% yr	-7%	2,108,000
Discount rate	+1% yr	-7%	2,114,000
Discount rate	-1% yr	8%	2,438,000
Post-employment mortality	+1% yr	-4%	2,179,000
Post-employment mortality	-1% yr	4%	2,354,000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2023:

Assumption	Change	% Change	Interest cost
Central assumptions			246,000
Health care inflation rate	+1% yr	9%	267,000
Health care inflation	-1% yr	-8%	226,000
Discount rate	+1% yr	1%	243,000
Discount rate	-1% yr	-2%	236,000
Post-employment mortality	+1% yr	-4%	230,000
Post-employment mortality	-1%yr	4%	250,000

Long service award

Long service award		
Balance 1 July	(2,824,000)	(2,666,000)
Current service cost	(274,000)	(273,000)
Interest cost	(291,000)	(228,000)
Benefits paid during the year	122,916	147,301
Actuarial gains/(losses)	334,084	195,699
Subtotal	(2,932,000)	(2,824,000)
Less: Transfer to current portion	563,000	271,000
Balance 30 June	**(2,369,000)**	**(2,553,000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Figures in Rand	2023	2022

17. Employee benefit obligations (continued)

Total eligible

As at year end, the following number of employees were eligible for long service bonuses	129	136

Key actuarial assumptions used:

Discount rate	11,08%	10,81%
General earnings inflation rate	6,47%	7,24%
Net Effective Discount Rate	4,33%	3,33%

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

Key Demographic assumations

Table below summarises the key demographic assumptions used

Mortality during employment: SA 85-90

Age Band	Withdrawal rate males	Withdrawal rate females
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

Sensetivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

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

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Liability
Central assumptions			2,932,000
General earnings inflation rate	+1%	5%	3,077,000
General earnings inflation rate	-1%	-5%	2,799,000
Discount rate	+1%	-5%	2,794,000
Discount rate	-1%	5%	3,085,000
Average retirement age	+2% yr	7%	3,128,000
Average retirement age	-2% yr	-10%	2,641,000
Withdrawal rates age	x2	-16%	2,454,000
Withdrawal rates age	x0,55	11%	3,248,000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2023:

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			274,000	291,000	565,000
General earnings inflation rate	+1%	6%	293,000	308,000	601,000
General earnings inflation rate	-1%	-6%	257,000	276,000	533,000
Discount rate	+1%	-1%	258,000	300,000	558,000
Discount rate	-1%	1%	291,000	280,000	571,000
Average retirement age	+2% yr	8%	294,000	315,000	609,000
Average retirement age	-2% yr	-11%	250,000	255,000	505,000
Withdrawal rates	x2	-22%	206,000	235,000	441,000
Withdrawal rates	x0,5	15%	322,000	328,000	650,000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	8,021,184	(3,335,354)	483,451	5,169,281

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	7,328,406	692,778	8,021,184

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Increase in inflation from 7.4% in 2022 to 5.4% in 2023.;
- Larger contaminated areas identified outside the fenced site.;
- The rates for materials and construction have increased due to significant increases in fuel prices and shipping and importing costs of raw materials

Warrenton

	Cost of rehabilitation	Cost of rehabilitation
Estimated decommission date - 2035	67,201,647	52,982,358

Area of landfill site consumed	2022	2023
Warrenton	72,15%	16,00%
Discount rate used	10,43%	9,50%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

19. Service charges

Sale of electricity	13,858,134	16,072,789
Sale of water	6,062,268	8,860,887
Sewerage and sanitation charges	8,485,344	8,112,155
Refuse removal	4,618,144	5,835,976
Less: Indigent subsidies	(282,297)	(857,067)
	32,741,593	**38,024,740**

20. Agency services

Licences and other	38,123	93,314

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Other revenue

Rental income	2,521	12,255
Commission received from third parties	-	58,431
Other income	659,413	917,122
	661,934	**987,808**

22. Other income

Valuation services	60,283	16,924
Burial fees	88,424	116,303
Clearance certificates	19,159	80,828
Sale of goods	1,500	21,415
Insurance claim	490,047	-
VAT on Grants	-	681,652
	659,413	**917,122**

23. Investment revenue

Interest revenue		
Bank	10,944	94,730

24. Property rates

Rates received

Residential	5,062,636	4,830,857
Commercial	1,370,845	1,303,185
State	2,492,179	2,377,366
Municipal	41,496	39,532
Small holdings and farms	3,246,207	3,075,654
Industrial Property	49,828	47,532
	12,263,191	**11,674,126**

Valuations

Residential	519,288,500	518,369,500
Commercial	93,402,010	62,091,010
State	125,360,000	126,052,000
Municipal	108,121,400	108,121,400
Small holdings and farms	938,213,000	996,863,000
Acquired - communal property association	23,620,000	23,620,000
PBO - Public Benefit Organisations	49,530,000	49,530,000
	1,857,534,910	**1,884,646,910**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and payable within 30 days. Interest at 5% per annum (2022: 5%) is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2024.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Licences and permits (non-exchange)

Road and Transport	71,313	240,823

26. Interest from non-exchange receivables

Property rates	3,020,068	1,466,801

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies

Operating grants		
Equitable share	57,991,452	51,086,000
Finance Management Grant	3,000,000	2,850,000
Frances Baard District Municipality Operating Grant	3,586,146	4,602,716
Municipal Disaster Relief Fund	-	2,104,408
Library Development Fund	766,561	1,100,000
Expanded Public Works Programme (EPWP)	1,073,000	1,121,000
	66,417,159	**62,864,124**
Capital grants		
Municipal Infrastructure Grant	16,961,718	8,174,599
Francis Baard District Municipality Capital Grant	1,725,000	3,695,652
Regional Bulk Infrastructure Grant (RBIG)	-	12,859,607
Water Services Infrastructure Grant (WSIG)	7,109,275	4,000,000
Emercency Funding - Water Supply Warrenton	3,021,203	-
	28,817,196	**28,729,858**
	95,234,355	**91,593,982**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	37,242,904	40,507,982
Unconditional grants received	57,991,452	51,086,000
	95,234,356	**91,593,982**

Equitable share

Current-year receipts	52,567,000	51,086,000
Conditions met - transferred to revenue	(57,991,452)	(51,086,000)
Surrendered	5,424,452	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Finance Management Grant (FMG)

Current-year receipts	3,000,000	2,850,000
Conditions met - transferred to revenue	(3,000,000)	(2,850,000)
Surrendered	(222,000)	-
Raised to grants receivable	222,000	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (eg: salary costs of the Financial Management Interns).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

Frances Baard District Municipality Capital and Operating Grant

Balance unspent at beginning of year	-	(127,843)
Current-year receipts	4,578,803	8,427,843
Conditions met - transferred to revenue	(5,311,146)	(8,298,368)
Raised to grants receivable	732,343	(1,632)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

The Frances Baard Operational Grant is paid by Frances Baard District Municipality to the municipality to subsidise operational maintenance of infrastructure. Furthermore the Frances Baard District Municipality is co-funding certain infrastructure projects.

Municipal Disaster Relief Grant (MDG)

Balance unspent at beginning of year	4,335,594	-
Current-year receipts	5,145,000	6,440,000
Conditions met - transferred to revenue	-	(2,104,406)
Surrendered	(4,335,593)	-
	5,145,001	**4,335,594**

Conditions still to be met - remain liabilities (see note 16).

Library Development Fund

Current-year receipts	1,100,000	1,100,000
Conditions met - transferred to revenue	(766,561)	(1,100,000)
	333,439	**-**

Conditions still to be met - remain liabilities (see note 16).

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

Expanded Public Works Programme (EPWP)

Current-year receipts	1,073,000	1,121,000
Conditions met - transferred to revenue	(1,073,000)	(1,121,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

The EPWP grant was used for road infrastructure development in the Warrenton area.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	866,859	6,706,458
Current-year receipts	-	11,541,000
National Revenue Fund allocation correction	18,612,000	(2,500,000)
Conditions met - transferred to revenue	(16,961,718)	(8,174,599)
Surrendered	(866,859)	(6,706,000)
	1,650,282	**866,859**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

Francis Baard District Municipality Capital Grant

Current-year receipts	1,725,000	3,695,652
Conditions met - transferred to revenue	(1,725,000)	(3,695,652)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	(5,817,267)
Current-year receipts	-	18,676,874
Conditions met - transferred to revenue	-	(12,859,607)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Regional Bulk Infrastructure Grant is a conditional grant to supplement financing for the development of the regional bulk water infrastructure and regional bulk sanitation collection as well as regional water and waste water treatment works.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	9,000,000	4,000,000
Conditions met - transferred to revenue	(7,109,275)	(4,000,000)
	1,890,725	-

Conditions still to be met - remain liabilities (see note 16).

The Water Services Infrastructure Grant (WSIG) is a conditional grant to assist water services authorities to reduce water and sanitation backlogs.

Emercency Funding - Water Supply Warrenton

Current-year receipts	3,021,203	-
Conditions met - transferred to revenue	(3,021,203)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

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

28. Public contributions and donations

1% Audit fee assistance	1,672,536	326,348

The municipality received assistance during the period under review relating to payments made to the Auditor-General by the Northern Cape Provincial Treasury.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Fines, Penalties and Forfeits

Building Fines	673,739	-
Illegal Connections Fines	-	6,500
Municipal Traffic Fines	5,250	120,300
	678,989	**126,800**

30. Revenue

Service charges	32,741,593	38,024,740
Interest received (trading)	13,928,848	7,483,835
Agency services	38,123	93,314
Rental income	2,521	12,255
Commission received	-	58,431
Other income	659,413	917,122
Interest received - investment	10,944	94,730
Property rates	12,263,191	11,674,126
Licenses and Permits (Non-exchange)	71,313	240,823
Interest - Taxation revenue	3,020,068	1,466,801
Government grants & subsidies	95,234,355	91,593,982
Public contributions and donations	1,672,536	326,348
Fines, Penalties and Forfeits	678,989	126,800
Contributed Property, plant and equipment	1,346,247	4,780,677
	161,668,141	**156,893,984**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	32,741,593	38,024,740
Interest received (trading)	13,928,848	7,483,835
Agency services	38,123	93,314
Rental income	2,521	12,255
Commission received	-	58,431
Other income	659,413	917,122
Interest received - investment	10,944	94,730
	47,381,442	**46,684,427**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12,263,191	11,674,126
Licences or permits	71,313	240,823
Transfer revenue		
Government grants & subsidies	95,234,355	91,593,982
Public contributions and donations	1,672,536	326,348
Fines, Penalties and Forfeits	678,989	126,800
Contributed Property, plant and equipment	1,346,247	4,780,677
	111,266,631	**108,742,756**

Figures in Rand	2023	2022

31. Employee related costs

Basic	36,395,554	35,816,783
Bonus	2,741,296	2,581,110
Medical aid - company contributions	2,374,193	2,281,085
UIF	329,780	339,580
SDL	401,770	413,986
Other payroll levies	16,546	-
Leave pay provision charge	514,064	188,437
Pension contributions	5,862,531	5,492,694
Travel, motor car, accommodation, subsistence and other allowances	955,233	1,234,945
Overtime payments	2,718,708	2,899,345
Long-service awards	274,000	273,000
Acting allowances	248,391	95,105
Housing benefits and allowances	69,812	513,787
	52,901,878	**52,129,857**

Remuneration of acting municipal manager - TM Thage (Acting since 1 July 2022)

Acting allowance	101,805	-

Remuneration of municipal manager - EM Moncho (Appointed 1 July 2018)

Annual remuneration	-	611,250
Travel allowance	-	330,791
Housing allowance	-	154,413
Contributions to UIF, Medical and Pension Funds	-	13,073
Leave pay	-	56,160
	-	**1,165,687**

Mrs Moncho was appointed from 1 July 2018 until 30 June 2022.

Remuneration of Chief Financial Officer - MM Motswaledi (Appointed 1 June 2017)

Annual Remuneration	427,604	555,859
Travel allowance	198,845	300,596
Contributions to UIF, Medical and Pension Funds	29,084	144,028
	655,533	**1,000,483**

Mrs Motswaledi was appointed from 1 July 2017 until 12 December 2022.

Remuneration of acting Chief Financial Officer - KV Khaziwa (Acting since 13 December 2022)

Acting allowance	36,555	-

Remuneration of the HOD Corporate Services - CD Lentsoe (Appointed May 2012)

Annual Remuneration	725,024	566,583
Travel allowance	225,410	183,506
Contributions to UIF, Medical and Pension Funds	180,147	148,700
	1,130,581	**898,789**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Employee related costs (continued)

Remuneration of the HOD Technical Services - TM Thage (Appointed April 2021)

Annual Remuneration	752,149	671,333
Travel allowance	380,016	390,231
Contributions to UIF, Medical and Pension Funds	13,795	12,134
Cell phone	9,000	9,000
	1,154,960	**1,082,698**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Remuneration of councillors

Annual remuneration	4,672,680	4,263,308
	4,672,680	**4,263,308**

Remuneration of Mayor- NL Mase (March 2020)

Councillor salary	495,723	537,326
Medical aid contributions	34,468	33,098
Pension contributions	74,359	24,932
Travel allowance	201,516	195,410
Cellphone allowance	40,800	40,800
Data allowance	-	109
	846,866	**831,675**

In-kind benefits

The mayor is provided with an office at the cost of the Council.

The Mayor has the use of Council owned vehicles and a driver for official duties.

Remuneration of Councillor - J Louw (August 2016)

Councillor salary	-	68,846
Medical aid contributions	-	-
Pension contributions	-	-
Travel allowance	-	22,949
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**107,772**

Remuneration Councillor - WJ Potgieter (August 2016)

Councillor salary	222,968	217,418
Medical aid contributions	-	-
Pension contributions	32,993	30,882
Travel allowance	84,315	82,803
Cellphone allowance	40,800	40,800
Data allowance	3,600	3,600
	384,676	**375,503**

Remuneration of Councillor - AK Zalisa (June 2015)

Councillor salary	-	77,677
Medical aid contributions	-	-
Pension contributions	-	10,675
Travel allowance	-	29,451
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**133,780**

Figures in Rand	2023	2022

32. Remuneration of councillors (continued)

Remuneration of Councillor - JD Tshekedi (August 2016)

Councillor salary	-	70,151
Medical aid contributions	-	13,481
Pension contributions	-	9,645
Travel allowance	-	30,341
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**139,595**

Remuneration of Councillor - KG Freddie (August 2016)

Councillor salary	-	77,677
Medical aid contributions	-	-
Pension contributions	-	10,675
Travel allowance	-	29,451
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**133,780**

Remuneration of Councillor - T Cross (August 2016)

Councillor salary	-	80,703
Medical aid contributions	-	-
Pension contributions	-	11,091
Travel allowance	-	-
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**107,771**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Remuneration of councillors (continued)

Remuneration of Councillor - LR Namelang (December 2020)

Councillor salary	205,618	212,873
Medical aid contributions	54,593	52,515
Pension contributions	-	11,091
Cellphone allowance	40,800	40,800
Data allowance	3,600	3,600
	304,611	**320,879**

Remuneration of Councillor - TE Mokola (September 2017)

Councillor salary	-	65,903
Medical aid contributions	-	17,434
Pension contributions	-	9,075
Travel allowance	-	29,451
Cellphone allowance	-	14,682
Data allowance	-	1,295
	-	**137,840**

Remuneration of Councillor - KC Mekhoa (November 2021)

Councillor salary	221,818	143,888
Pension contributions	33,273	19,409
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	299,491	**191,720**

Remuneration of Councillor - L Valtyn (November 2021)

Councillor salary	284,667	178,305
Pension contributions	42,700	24,123
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	371,767	**230,851**

Remuneration of Councillor - MF Mokitimi (November 2021)

Councillor salary	284,667	176,932
Medical contributions	-	1,579
Pension contributions	42,700	23,917
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,035
	371,767	**230,581**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Remuneration of councillors (continued)

Remuneration of Councillor - B Mokomela (November 2021)

Councillor salary	226,063	187,463
Pension contributions	33,909	24,768
Travel allowance	77,289	-
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	381,661	**240,654**

Remuneration of Councillor - LO Amose (November 2021)

Councillor salary	275,696	172,922
Medical contributions	-	6,190
Pension contributions	42,969	23,315
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	363,065	**230,850**

Remuneration of Councillor - CM Mere (November 2021)

Councillor salary	213,500	154,583
Pension contributions	32,025	20,564
Travel allowance	81,842	27,281
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	371,767	**230,851**

Remuneration of Councillor - D Watson (November 2021)

Councillor salary	212,576	143,888
Pension contributions	31,886	19,409
Travel allowance	10,629	-
Cellphone allowance	40,800	26,118
Data allowance	3,600	2,305
	299,491	**191,720**

Remuneration of Councillor - BG Plata (November 2021)

Councillor salary	538,118	351,928
Medical aid contributions	26,017	49,065
Pension contributions	80,718	-
Cellphone allowance	40,800	26,118
Data allowance	-	109
	685,653	**427,220**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Depreciation and amortisation

Property, plant and equipment	23,543,539	29,547,534
Intangible assets	9,895	19,790
	23,553,434	**29,567,324**

34. Finance costs

Trade and other payables	6,509,332	3,153,795
Employee benefit liability	537,000	438,000
Landfill rehabilitation provision	483,450	692,778
	7,529,782	**4,284,573**

35. Debt impairment

Contributions to debt impairment provision	17,507,600	35,390,970

36. Bulk purchases

Electricity	23,257,242	22,499,350
Water	3,510,824	11,329,057
	26,768,066	**33,828,407**

37. Contracted services

Outsourced Services		
Burial Services	5,000	10,491
Business and Advisory	1,164,658	2,684,091
Catering Services	40,815	32,368
Security Services	2,044,799	-
Consultants and Professional Services		
Business and Advisory	5,168,977	1,818,832
Legal Cost	163,922	170,883
Contractors		
Employee Wellness	-	43,995
Maintenance of Buildings and Facilities	-	45,661
Safeguard and Security	172,660	878,438
	8,760,831	**5,684,759**

38. Unauthorised debit orders

Unauthorised debit orders	-	946,907

The unauthorised debit order amounts arise from unauthorised debit orders that were debited to the bank account of the municipality. Correspondence from the bank indicated that the monies are not recoverable, therefore an expense was recognised in this regard.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. General expenses

Advertising	168,134	81,665
Assets less than the capitilisation threshold	-	22,642
Auditors remuneration	4,048,596	1,443,527
Bank charges	386,766	253,559
Bursaries	182,842	207,486
Commission paid	2,359,414	2,193,711
Communication	970,830	660,304
Computer expenses	508,316	1,011,067
Drivers licences and permits	206,841	120,622
Entertainment	10,460	106,349
Insurance	-	225,967
Management fee	-	223,606
Municipal services	-	1,265,179
Postage and courier	27,218	-
Printing and stationery	334,024	-
Protective clothing	4,416	224,031
Subscriptions and membership fees	625,085	508,705
Travel and accomodation	340,526	575,043
Utilities - Other	(1,502)	-
	10,171,966	**9,123,463**

40. Inventory consumed

Materials, supplies and other consumables	7,809,464	8,160,058

41. Auditors' remuneration

Fees	4,048,596	1,443,527

42. Going concern

We draw attention to the fact that at June 30, 2023, the municipality's current liabilities exceeds it's current assets by R 229,592,013 (2022: R 228,436,286). Further, the municipality recorded a deficit of R 44,156,973 (2022: deficit R 26,889,768) for financial period ended 30 June 2023. The major contributors to the deficits are increases in depreciation, finance costs, debt impairment and employee related costs.

We would also want to draw attention to the fact that at 30 June 2023, the following additional factors, among others, existed at the reporting date. These factors do not, however, cause any material uncertainty regarding the ability of the municipality to continue as a going concern. Management decided to include them to provide more information to the users.

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

2. There were rollover applications that were rejected by National Treasury. The main reasons for the rejection were the municipality's failure to (a) submit the AFS by the legislated date, (b) spend conditional grant and (c) appoint senior managers. As such, some of the unspent grants were taken back to the fiscus. Submission of the AFS has since been rectified and processes to appoint senior managers are currently progressing well. There has also been an improvement regarding capital grant spending by the municipality.

3. The municipality experienced cash flow problems during the year, which resulted in major creditors e.g. Eskom not being paid timeously.

4. Electricity distribution losses (technical and non-technical) have increased to 19% (2022: 24%) and the water distribution losses has decreased to 80% from (2022: 82%).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Going concern (continued)

Due to the fact that there is no material uncertainty about the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It should, however, be noted that the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality. Furthermore the municipality should ensure that they embark on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection (credit control and cost containment measures), minimising distribution losses and Council approved initiatives.

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

43. Cash generated from operations

	2023	2022
Deficit	(44,156,973)	(26,889,768)
Adjustments for:		
Depreciation and amortisation	23,553,434	29,567,324
Gain on sale of assets and liabilities	46,281,171	1,296,351
Impairment deficit	250,398	-
Debt impairment	17,507,600	35,390,970
Movements in retirement benefit assets and liabilities	64,838	(180,972)
Movements in provisions	483,451	692,778
Changes in working capital:		
Inventories	48,075	(1,050)
Consumer debtors	(33,863,478)	(33,312,472)
Other receivables from non-exchange transactions	(4,681,091)	(2,675,978)
Payables from exchange transactions	22,630,921	19,519,484
VAT	(4,191,481)	(1,557,427)
Unspent conditional grants and receipts	3,816,994	4,440,805
Consumer deposits	5,421	31,949
	27,749,280	**26,321,994**

44. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	11,850,383	11,850,383
Receivable from exchange transactions	23,950,288	23,950,288
Cash and cash equivalents	733,583	733,583
	36,534,254	**36,534,254**

44. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	284,087,348	284,087,348
Consumer deposits	1,039,938	1,039,938
Unspent conditional grants and receipts	9,019,447	9,019,447
	294,146,733	**294,146,733**

2022

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	7,169,291	7,169,291
Receivable from exchange transactions	7,594,410	7,594,410
Cash and cash equivalents	241,514	241,514
	15,005,215	**15,005,215**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	261,456,428	261,456,428
Consumer deposits	1,034,517	1,034,517
Unspent conditional grants and receipts	5,202,453	5,202,453
	267,693,398	**267,693,398**

45. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	12,230,563	12,668,067
Total capital commitments		
Already contracted for but not provided for	12,230,563	12,668,067

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	12,230,563	12,668,067

This committed expenditure relates to property and will be financed by government grants.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Contingencies

Contingent liabilities

Beckley VD vs Magareng LM This relates to a dispute on the valuation and clearance amounts. The matter is currently still before the courts.	-	68,979
TL Galane vs Magareng LM This relates to a civil claim and the matter is before the court. The municipality filed a notice to defend the matter through the Office of the State Attorney.	-	32,835
	-	**101,814**

47. Related parties

Relationships	
Interest in related parties	Councillors and /or management of the municipality
Services rendered to related parties	The services rendered to related parties are charged at the approved tarrifs that were advertised to the public. We have disclosed this information under the heading councillors arrear consumer accounts. Refer to 53
Compensation of related parties	Compensation of key management personnel. Refer to note 31
Compensation of related parties	Compensation of councillors. Refer to note 32
Joint ventures	Municipality has no joint venture arrangement
Associates	Municipality has no associates in their business arrangement
Related party relationship	The municipalities officials declared the following reationship with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality
Councillors	No business interest, shares and / or directorships held
Municipal manager	No business interest, shares and / or directorships held
Acting Municipal Manager	No business interest, shares and / or directorships held
Acting Chief Financial Officer	No business interest, shares and / or directorships held
HOD Corporate Services	No business interest, shares and / or directorships held
HOD Technical Services	No business interest, shares and / or directorships held

Related party balances

2023 Councillors	Rates - Levied	Service charges	Other - Levied	Outstanding balance
D Watson	84,859	109,126	2,892	24,285
WJ Potgieter	58,795	266,227	316	1,841
L Valtyn	38,227	37,861	9,192	33,967
N Mase	30,655	55,842	7,876	452
KC Mekhoa	-	8,789	965	9,624
LO Amose	-	6,145	274	6,065
CM Mere	1,709	138,396	71,421	222,821
MF Mokitimi	20,063	42,136	21,784	57,231
LR Mamelang	2,955	50,149	11,196	41,095
	237,263	**714,671**	**125,916**	**397,381**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Related parties (continued)

2022 **Councillors**	**Rates - Levied**	**Service charges**	**Other - Levied**	**Outstanding balance**
J Louw (previous councillor)	-	1,953	239	12,054
T Cross (previous councillor)	395	1,638	374	14,773
DJ Tshekedi (previous councillor)	226	649	378	17,403
K Freddie (previous councillor)	-	1,698	64	4,163
KA Zalisa (previous councillor)	1,073	649	357	13,466
T Mokola (previous councillor)	-	1,398	1,463	80,354
W Potgieter (current councillor)	4,121	26,667	-	2,244
N Mase (current mayor)	4,460	8,430	67	17,642
N Mokomela (current councillor)	-	-	(8)	(8)
O Amose (current councillor)	-	1,748	8	1,756
	10,275	**44,830**	**2,942**	**163,847**

2022 **Municipal Manager and Section 57 Employees**	**Rates - Levied**	**Service charges**	**Other - Levied**	**Outstanding balance**
EM Moncho (Municipal Manager)	5,024	961	2	459
C Lentsoe (HOD Corporate services	3,363	9,838	685	3,632
	8,387	**10,799**	**687**	**4,091**

47. Related parties (continued)

Remuneration of management

Management class: Executive management

2023

Name	Annual remuneration	Acting allowance	Travel allowance	Contribution to UIF, Medical and pension funds	Total
Senior Management	1,913,777	138,361	804,272	223,026	3,079,436

2022

Name	Annual remuneration	Travel allowance	Housing allowance	Contribution to UIF, Medical and pension funds	Cellphone allownce	Total
Senior Management	2,461,185	1,205,124	154,413	317,934	9,000	4,147,656

48. Risk management

Financial risk management

Liquidity risk

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

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

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

2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	284,087,348	-	-	-
Consumer Deposits	1,039,938	-	-	-
Unspent conditional grants and receipts	9,019,447	-	-	-
Employee benefit obligations	7,100,866	-	-	-
	301,247,599	**-**	**-**	**-**

2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	261,456,428	-	-	-
Consumer Deposits	1,034,517	-	-	-
Unspent conditional grants and receipts	5,202,453	-	-	-
Employee benefit obligations	6,726,029	-	-	-
	274,419,427	**-**	**-**	**-**

Credit risk

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Risk management (continued)

Market risk

Interest rate risk

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

Foreign exchange risk

The municipality does not engage in foreign exchange transactions.

Price risk

The municipality is not exposed to price risk as the municipality does not own any equity securities.

49. Events after the reporting date

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

50. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	200,990,614	178,455,409
Add: Unauthorised expenditure - current	52,586,377	22,535,205
Closing balance	**253,576,991**	**200,990,614**

Operating expenditure per vote

	2023	2022
Vote 01 - Executive & council	3,896,719	-
Vote 03 - Corporate services	6,297,698	-
Vote 04 - Financial services	12,694,819	18,412,180
Vote 09 - Planning & Development	-	2,138,030
Vote 05 - Municipal infrastructure	18,728,305	-
Vote 07 - Public safety & transport	7,422,866	-
Vote 08 - Sports, arts, parks, culture	3,545,970	-
	52,586,377	**20,550,210**

Capital expenditure per vote

	2023	2022
Vote 03 - Corporate Services	-	1,984,995

51. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	19,044,636	14,943,934
Add: Fruitless and wasteful expenditure identified - current	6,509,332	4,100,702
Closing balance	**25,553,968**	**19,044,636**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on late payments - suppliers	Awaiting council decision	5,742,223	3,153,795
SARS interest & penalties - PAYE	Awaiting council decision	767,109	-
Unauthorised debit orders	Awaiting council decision	-	946,907
		6,509,332	**4,100,702**

52. Irregular expenditure

Opening balance as previously reported	106,641,357	79,783,662
Add: Irregular expenditure - current	9,483,591	26,857,695
Closing balance	**116,124,948**	**106,641,357**

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

	Disciplinary steps taken/criminal proceedings		
Various contraventions of procurement transcripts	Awaiting council desicion	9,483,591	26,857,695

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	550,375	516,000
Current year subscription / fee	625,085	551,875
Amount paid - current year	(425,188)	(517,500)
	750,272	**550,375**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	10,043,152	12,212,964
KWh sold	(8,136,805)	(9,274,013)
KWh losses	**1,906,347**	**2,938,951**
% losses	19	24
Average cost per KWh unit	2,13	1,82
Loss in Rand value	**4,067,942**	**5,354,240**

Water distribution losses (Mega litres)		
Mega litres purchased	1,444,772	2,424,781
Mega litres sold	287,356	(433,012)
Mega litres losses	**1,732,128**	**1,991,769**
% losses	80	82
Average cost per unit	3,30	4,11
Loss in Rand value	**3,818,588**	**8,177,190**

Audit fees

Opening balance	1,769,853	3,377,599
Current year subscription / fee	5,311,455	1,326,523
Amount paid - current year	(1,938,483)	(370,392)
Amount paid - previous years	(1,769,853)	(2,563,876)
	3,372,972	**1,769,854**

PAYE and UIF

Opening balance	1,156,399	1,128,793
Current year subscription / fee	7,996,598	7,426,904
Amount paid - current year	(7,344,890)	(6,376,914)
Amount paid - previous years	(1,156,399)	(1,128,900)
	651,708	**1,049,883**

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

Pension and Medical Aid Deductions

	2023	2022
Opening balance	3,397,332	2,437,007
Current year subscription / fee	13,666,961	12,238,848
Amount paid - current year	(9,487,399)	(9,348,353)
Amount paid - previous years	(3,397,332)	(2,437,007)
	4,179,562	**2,890,495**

VAT

	2023	2022
VAT receivable	35,005,596	30,814,115

VAT output payables and VAT input receivables are shown in note 5.

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

Councillors' arrear consumer accounts

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

June 30, 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor N Mase	452	-	452
Councillor D Watson	4,328	19,958	24,286
Councillor WJ Potgieter	1,841	-	1,841
Councillor L Valtyn	500	33,467	33,967
Councillor KC Mekhoa	1,203	8,421	9,624
Councillor LO Amose	1,589	4,476	6,065
Councillor CM Mere	6,966	215,855	222,821
Councillor MF Mokitimi	1,651	55,580	57,231
Councillor LR Mamelang	2,550	38,545	41,095
	21,080	**376,302**	**397,382**

June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor J Louw (previous councillor)	1,662	10,392	12,054
Councillor TE Cross (previous councillor)	1,809	12,964	14,773
Councillor DJ Tshekedi (previous councillor)	941	16,462	17,403
Councillor KG Freddie (previous councillor)	1,314	2,955	4,269
Councillor AK Zalisa (previous councillor)	1,563	11,902	13,465
Councillor T Mokola (previous councillor)	2,150	78,204	80,354
Councillor W Potgieter (current councillor)	2,244	-	2,244
Mayor N Mase (current councillor)	2,788	14,855	17,643
Councillor N Mokomela (current councillor)	(8)	-	(8)
Councillor O Amose (current councillor)	1,056	699	1,755
	15,519	**148,433**	**163,952**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Deviation from supply chain management regulations

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

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

Regulation 36(2) - Details of deviations (amounts include Value added tax) approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

2023	Amount	Single supplier	Impractical	Emergency
July	374,095	1	-	1
August	3,694	1	-	-
October	196,590	-	-	1
February	97,790	1	-	1
March	28,113	2	-	1
April	11,408	1	-	-
May	151,366	1	-	1
	863,056	**7**	**-**	**5**

2022	Amount	Single supplier	Impractical	Emergencu
July	638,023	3	-	-
August	19,504	2	-	-
September	13,267	1	-	1
October	8,027	1	-	-
November	100,286	2	3	1
January	10,724	1	-	1
February	289,151	1	-	1
March	67,698	1	2	-
April	3,643	1	-	-
	1,150,323	**13**	**5**	**4**

55. Contributed Property, Plant and Equipment

	2023	2022
Land transferred to municipality	-	4,500,000
Grader donated	-	274,000
Other donated assets	-	6,677
Computer equipment	308,290	-
Tipper truck	944,992	-
Tools and equipment	92,965	-
	1,346,247	**4,780,677**

56. Prior period errors

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

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

56.1. Prior period error - Community assets misstated due to incorrect classifications:

During the period under review it was noted that the community asset register was misstated at 30 June 2021 due to the incorrect classification of various facilities and associated land in the register at 30 June 2021. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in community assets	(4,534,509)
Decrease in accumulated surplus	4,757,446
	222,937
Statement of financial performance	
Decrease in depreciation and amortisation	(222,937)

56.2. Prior period error - Infrastructure register misstated due to various ommissions, duplication and classification errors:

During the period under review it was noted that the infrastructure register was misstated due to the non-capitilisation of various capital work in progress projects completed in prior financial years. Furthermore various ommissions, incorrect classifications and duplications of infrastructure assets were also noted at 30 June 2022. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property plant and equipment (infrastructure)	54,508,931
Increase in accumulated surplus	(57,069,336)
	(2,560,405)
Statement of financial performance	
Increase in depreciation and amortisation	2,560,405

56.3. Prior period error - Buildings misstated due to incorrect classifications, ommissions:

During the period under review it was noted that buildings were misstated due to incorrect recognition of associated land at 30 June 2021. Furthermore buildings was misstated due to certain ommission at 30 June 2021. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in land	27,771,170
Increase in accumulated surplus	(23,568,372)
Decrease work in progress	(5,526,871)
	(1,324,073)
Statement of financial performance	
Increase in depreciation and amortisation	1,324,072

56. Prior period errors (continued)

56.4. Prior period error - Investment property misstated due to incorrect classifications, ommissions:

During the period under review it was noted that investment property was were misstated due to incorrect classifications and various ommissions at 30 June 2021. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in investment property	1,036,300
Increase in accumulated surplus	(1,036,300)
	-

56.5. Prior period error - Land misstated due to the incorrect classifications and ommissions:

During the period under review it was noted that land associated with certain community assets and investment property was incorrectly recognised at 30 June 2021. Furthermore land was misstated due to certain ommission at 30 June 2021. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in land	5,093,552
Increase in accumulated surplus	(5,093,552)
	-

56.6. Prior period error - Other assets missated due to incorrect depreciation provide for:

During the period under review it was noted that other assets was misstated due to the incorrect recording of depreciation in the accountimg records at 30 June 2022. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in other assets	(2,475)
Statement of financial performance	
Increase in depreciation and amortisation	2,475

56.7. Prior period error - Payables from exchange transactions misstated due incorrect opening balance of salary control:

During the period under review it was noted that salary control balance was understated due to certain outstanding third party balances not taken into account in the opening balance. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in payables from exchage transactions	(152,240)
Decrease in accumulated surplus	152,240
	-

Notes to the Annual Financial Statements

56. Prior period errors (continued)

56.8. Prior period error - Misstatement of landfill rehabilitaation provision:

During the period under review it was noted that the landfill rehabilitation provision was based on assumptions which could not be adeqautely supported. It was decided to reperform this assessment effective 30 June 2021. The comparative statements for 2021/2022 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in provision	11,916,710
Increase in accumulated surplus	(8,408,559)
Decrease in property, plant and equipment - landfill sites	(2,345,471)
	1,162,680

Statement of financial performance	
Decrease in finance costs	(1,162,680)

56.9. Prior period error - Landfill FAR misstated due to the inclusion of overstated rehabilitation costs:

During the period under review it was noted that the landfill register was misstated due to the capitilisation of overstated rehabilitation costs at 30 June 2022. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property plant and equipment (landfill)	3,808,991
Increase in accumulated surplus	(3,738,956)
	70,035

Statement of financial performance	
Decrease in depreciation and amortisation	(70,034)

56.10. Prior period error - Capital work in progress misstated due to misallocated expenditure:

During the period under review it was noted that the work in progress register was misstated due misallocated capital expenditue at 30 June 2022. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property plant and equipment (work in progress)	2,148,479
Increase in payables from exchange transactions	(222,065)
Increase in vat receivable	28,965
	1,955,379

Statement of financial performance	
Decrease in contracted services	(351,810)
Decrease in inventory consumed	(1,603,569)
	(1,955,379)

56.11. Prior period error - Statutory receivables from non-exchange were misstated due to receivable not recorded:

During the period under review it was noted other receivables were understated to prepaid electricity receivable not being recorded. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2023	2022

56. Prior period errors (continued)

Statement of financial position

Increase in statutory receivables from non-exchange transactions	965,085
Decrease in vat receivable	(125,881)
	839,204

Statement of financial performance

Increase in services charges	(839,204)

57. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 10% will be explained on the final Annual Financial Statements for the year ended 30 June 2023.

x1: The municipality did not perform in line with budgeted amounts for Solid Waste Electricity line items due to under performance in terms or revenue collection

x2: The municipal rental facilities are not perfomnce in terms of boosting revenue collection are not yielding much due their poor state and requiring renovation.

x3: The raising increase in debtors as well as the charge of interest which is determined by the prime lending rate plus 1% on outstandind debtors.

x4: The municipality did not budget for this line item this will be corrected during the adjustment budget.

x5: Rental Income should have been mapped with rental of facilities.

x6: The municipality underperformed on this line item due to the traffic section not under perfomance.

x7: The budget was moved to interest debtors during adjustment as we had no substantial investments.

x8: Rates under estimated.

x9: Licence and permints was not budgeted for during the budget.

x10: Equitable share not fully received. 5.2m offset.

x11: No budgeted for.

x12: Under estimated budget for fines and penalties.

x13: Under estimated due to error suspense amounts not taken to account.

x14: Overestimated due to error suspense amounts not taken to account.

x15: Budgeted for depreciation and armotisation accordinmg to AFS of 2122.

x16: Impairement loss was not budgeted for during the budget preparation.

x17: Finance cost was not budgeted for.

x18: Debt impairment accordinmg to AFS of 2122.

x19: No budgeted for.

57. Budget differences (continued)

x20: Budget estimated according to the invoices of 202122.

x21: Overstated budget for contracted services.

x22: Correcting misclassification.

x23: General expenditure overstated.

x24: Not budgeted for.

x25: Not budget for.

x26: Correction of prior period error;

x27: Over budgeted.

x28: Not provided for in budget.

x29: Underestimated.

x30: Underestimated.

x31: Immaterial variance.

x32: Underestimated.

x33: Immaterial variance.

x34: Immaterial variance.

x35: Underestimated due under collection.

x36: Over budgeted.

x37: Not provided for in budget should form part of provisions.

x38: EQ withheld and unspent capital grants.

x39: Over budgeted.

x40: Bank Overdraft could not be accurately budgeted for during the budget.