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Kagisano-Molopo Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality Demarcation code: NW397
Nature of business and principal activities	Kagisano-Molopo Local Municipality mandate is: - to provide democratic and accountable government for local communities; - to ensure the provision of services to communities in a sustainable manner; - to promote social and ecomomic development; - to promote a safe and healthy environment; - to encourage the involvement of communities and community organisations in the matters of local government
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Loval Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	Ms T Marabutse
Speaker	Mr OP Moirwagale
MMC: Budget and Treasury	Ms TE Chweneemang
MMC: Infrastructure and Technical Services	Mr PV Baikgaki
MMC: Planning and Development	Ms KP Moagaesi
MMC: Community Services & Local Economic Development	Mr K Mothwane
MMC: Corporate Services	Ms PM Mereyabone
Councillors	Mr MS Mosarwa
	Mr ME Arabang (deceased)
	Mrs JM Grobbelaar
	Mr TB Golelelwang
	Ms KM Kumile
	Mr KM Lekgotle
	Mr KS Moreki
	Mr NJD Muller
	Ms BB Makwati
	Ms KN Sekopecwe
	Ms Y Maano
	Ms I Molaolwa
	Mr PD Moncwe
	Mr MM Mokgothu
	Ms KA Moitlhwe
	Mrs GK Nthebotsenyane
	Ms KG Ogaseng
	Mr PS Petrus
	Mr OM Serame
	Mr T.V Shepherd
	Mr TJ Thetswe
	Mr LA Theko
	Mr TS Phokoje
	Ms SV Thomas

General Information

Grading of local authority	Grade 2
Accounting Officer	EA Gaborone
Chief Finance Officer (CFO)	R Ferris
Registered office	Municipal Offices next to Ganyesa Clinic Chief Block Section Tlakgameng Road Ganyesa 8613
Business address	Municipal Offices next to Ganeysa Clinic Chief Block Section Tlhakagameng Road Ganyesa 8613
Postal address	PO Box X522 Ganyesa 8613
Municipal website	www.kmlm.org.za
Bankers	ABSA Bank First National Bank Standard Bank
Auditors	Auditor General of South Africa (AGSA)
Telephone number	053 998 4455
Fax number	053 998 3711

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

ABBREVIATIONS

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

Kagisano-Molopo Local Municipality

(Registration number NW397)
Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Structures Act (Act 117 of 1998)
Constitution of the Republic of south Africa (Act 108 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the director 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 an is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Kagisano-Molopo Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out from page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

EA Gaborone
Accounting Officer

Accounting Officer's Report

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

1. Incorporation

The municipality was incorporated on 12 December 2011 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

Net surplus of the entity was R 2 950 326 (2022: deficit R 1 882 259).

3. 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.

4. Subsequent events

The accounting officer is not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealth with in the annual financial statements, that would affect the operations of the municipality or the results of those operations.

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 director of the entity during the year and to the date of this report is as follows:

Name	Nationality	Changes
OT Bojosinyane	South African	Contract was terminated on 06 October 2022
S Maroga	South African	Administrator appointed on 20 September 2022 until 20 March 2023
Kagiso Morapedi	South African	Acting Accounting Officer was appointed on 13 October 2022 until 13 April 2023
ET Motsemme	South African	Acting Accounting Officer was appointed on 1 May 2023
AE Gaborone	South African	

7. Corporate governance

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the entity's compliance with the code on a regular basis.

Council meetings

The accounting officer has met on several occasions with the council during the financial year. The accounting officer scheduled to meet at least 4 times per annum.

Accounting Officer's Report

Internal audit

The municipality has a shared internal audit function with Dr. Ruth Segomotsi Mompati District Municipality. This is in compliance with the Municipal Finance Management Act, 2003.

8. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

EA Gaborone
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6&10	1 452 317	1 159 917
Receivables from non-exchange transactions	7&10	71 185 218	52 193 497
VAT receivable	9	7 642 248	2 466 868
Cash and cash equivalents	11	2 854 943	1 644 678
		83 134 726	**57 464 960**
Non-Current Assets			
Investment property	3	43 268 226	42 457 957
Property, plant and equipment	4	522 591 168	519 047 061
		565 859 394	**561 505 018**
Total Assets		**648 994 120**	**618 969 978**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	44 266 825	41 245 108
Unspent conditional grants and receipts	12	4 781 837	499 962
Debtors with credit balance	14	30 262 358	11 218 667
Employee benefit cost	13	165 913	257 058
		79 476 933	**53 220 795**
Non-Current Liabilities			
Provisions	13	23 265 394	22 649 653
Employee benefit cost	13	1 928 248	1 726 311
		25 193 642	**24 375 964**
Total Liabilities		**104 670 575**	**77 596 759**
Net Assets		**544 323 545**	**541 373 219**
Accumulated surplus		544 323 542	541 373 216

* See Note 44 & 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	17	1 373 604	1 291 874
Interest earned	25	3 516 944	2 513 613
Other income	20	279 545	470 352
Interest revenue	21	1 416 128	907 096
Total revenue from exchange transactions		**6 586 221**	**5 182 935**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	13 390 539	20 937 985
Interest on outstanding debtors	19	22 102 418	18 682 438
Transfer revenue			
Government grants & subsidies	24	185 822 360	175 173 393
Public contributions and donations	26	1 950 000	-
Total revenue from non-exchange transactions		**223 265 317**	**214 793 816**
Total revenue	16	**229 851 538**	**219 976 751**
Expenditure			
Employee related costs	27	(48 288 543)	(45 807 329)
Remuneration of councillors	28	(13 030 736)	(12 523 685)
Depreciation and amortisation	29	(21 985 136)	(24 230 726)
Impairment of assets	30	(2 914 414)	(15 710 084)
Finance costs	31	(1 038 232)	(89 856)
Lease rentals on operating lease	18	(2 037 922)	(1 715 724)
Debt Impairment	32	(7 953 674)	(14 638 314)
Repairs and maintenance	4	(3 218 598)	(2 847 655)
Contracted services	33	(67 446 480)	(47 800 473)
Transfers and Subsidies	23	(2 093 617)	(4 329 479)
Loss on disposal of assets and liabilities	55	(7 377 572)	(894 005)
General Expenses	34	(50 326 557)	(53 097 030)
Total expenditure		**(227 711 481)**	**(223 684 360)**
Surplus (deficit) before taxation		**2 140 057**	**(3 707 609)**
Fair value adjustment	35	810 269	1 825 350
Surplus (deficit) for the year		**2 950 326**	**(1 882 259)**

* See Note 44 & 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	515 060 771	515 060 771
Adjustments		
Correction of errors	28 194 707	28 194 707
Balance at 01 July 2021 as restated*	**543 255 478**	**543 255 478**
Changes in net assets		
Surplus for the year	(1 882 259)	(1 882 259)
Total changes	(1 882 259)	(1 882 259)
Restated* Balance at 01 July 2022	**541 373 216**	**541 373 216**
Changes in net assets		
Surplus for the year	2 950 326	2 950 326
Total changes	2 950 326	2 950 326
Balance at 30 June 2023	**544 323 542**	**544 323 542**

Note(s)

* See Note 44 & 43

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		8 249 875	15 711 768
Grants		187 772 360	175 173 393
Interest income		1 416 128	907 096
		197 438 363	191 792 257
Payments			
Employee costs		(61 319 279)	(58 331 014)
Suppliers		(98 113 600)	(90 552 488)
Finance costs		(1 038 231)	(89 856)
		(160 471 110)	(148 973 358)
Net cash flows from operating activities	38	**36 967 253**	**42 818 899**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35 756 988)	(56 403 805)
Net increase/(decrease) in cash and cash equivalents		**1 210 265**	**(13 584 906)**
Cash and cash equivalents at the beginning of the year		1 644 678	15 229 584
Cash and cash equivalents at the end of the year	11	**2 854 943**	**1 644 678**

* See Note 44 & 43

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						
Rental of facilities and equipment	1 246 000	61 000	**1 307 000**	1 373 604	**66 604**	53 A
Interest received (trading)	2 361 000	94 000	**2 455 000**	3 516 944	**1 061 944**	53 B
Other income	878 000	-	**878 000**	279 545	**(598 455)**	52 C
Interest received - investment	1 800 000	88 000	**1 888 000**	1 416 128	**(471 872)**	52 D
Total revenue from exchange transactions	**6 285 000**	**243 000**	**6 528 000**	**6 586 221**	**58 221**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12 695 000	692 000	**13 387 000**	13 390 539	**3 539**	52 E
Interest on outstanding debtors	-	-	**-**	22 102 418	**22 102 418**	
Transfer revenue						
Government grants & subsidies	185 338 001	5 544 934	**190 882 935**	185 822 360	**(5 060 575)**	52 F
Public contributions and donations	-	-	**-**	1 950 000	**1 950 000**	
Total revenue from non-exchange transactions	**198 033 001**	**6 236 934**	**204 269 935**	**223 265 317**	**18 995 382**	
Total revenue	**204 318 001**	**6 479 934**	**210 797 935**	**229 851 538**	**19 053 603**	
Expenditure						
Employee Related Costs	(52 541 000)	3 809 000	**(48 732 000)**	(48 288 543)	**443 457**	52 G
Remuneration of councillors	(12 315 000)	(320 000)	**(12 635 000)**	(13 030 736)	**(395 736)**	52 H
Depreciation and amortisation	(26 627 000)	2 507 000	**(24 120 000)**	(21 985 136)	**2 134 864**	52 I
Impairment loss/ Reversal of impairments	-	-	**-**	(2 914 414)	**(2 914 414)**	52 J
Finance costs	(275 000)	200 000	**(75 000)**	(1 038 232)	**(963 232)**	52 K
Lease rentals on operating lease	-	-	**-**	(2 037 922)	**(2 037 922)**	52 AG
Debt Impairment	(6 451 000)	-	**(6 451 000)**	(7 953 674)	**(1 502 674)**	52 L
Repairs and maintanance	-	-	**-**	(3 218 598)	**(3 218 598)**	52 M
Contracted Services	(42 428 000)	(11 762 000)	**(54 190 000)**	(67 446 480)	**(13 256 480)**	52 N
Transfers and Subsidies	(1 000 000)	1 000 000	**-**	(2 093 617)	**(2 093 617)**	52 O
General Expenses	(53 932 000)	4 100 000	**(49 832 000)**	(50 326 557)	**(494 557)**	52 P
Total expenditure	**(195 569 000)**	**(466 000)**	**(196 035 000)**	**(220 333 909)**	**(24 298 909)**	
Operating surplus	**8 749 001**	**6 013 934**	**14 762 935**	**9 517 629**	**(5 245 306)**	
Loss on disposal of assets and liabilities	-	-	**-**	(7 377 572)	**(7 377 572)**	52 Q2
Surplus before taxation	**8 749 001**	**6 013 934**	**14 762 935**	**2 140 057**	**(12 622 878)**	
Fair value adjustment	-	-	**-**	(810 269)	**(810 269)**	52Q1
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**8 749 001**	**6 013 934**	**14 762 935**	**2 950 326**	**(11 812 609)**	

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						
Receivables from exchange transactions	17 000	-	**17 000**	2 362 295	**2 345 295**	52 R
Receivables from non-exchange transactions	45 479 000	-	**45 479 000**	71 185 218	**25 706 218**	52 S
VAT receivable	-	-	**-**	7 642 248	**7 642 248**	52 T
Cash and cash equivalents	1 969 000	(892 000)	**1 077 000**	2 854 943	**1 777 943**	52 U
	47 465 000	**(892 000)**	**46 573 000**	**84 044 704**	**37 471 704**	
Non-Current Assets						
Investment property	46 015 000	-	**46 015 000**	43 268 226	**(2 746 774)**	52 V
Property, plant and equipment	491 364 000	-	**491 364 000**	522 591 168	**31 227 168**	52 W
Other non-current assets	2 000 000	-	**2 000 000**	-	**(2 000 000)**	
	539 379 000	**-**	**539 379 000**	**565 859 394**	**26 480 394**	
Total Assets	**586 844 000**	**(892 000)**	**585 952 000**	**649 904 098**	**63 952 098**	
Liabilities						
Current Liabilities						
Finance lease obligation	2 400 000	(2 400 000)	**-**	-	**-**	52 Y
Payables from exchange transactions	4 098 000	-	**4 098 000**	44 266 825	**40 168 825**	52 Z
Unspent conditional grants and receipts	-	-	**-**	4 781 837	**4 781 837**	52 AA
Debtors with credit balance	-	-	**-**	30 262 358	**30 262 358**	52 AC
	6 498 000	**(2 400 000)**	**4 098 000**	**79 311 020**	**75 213 020**	
Non-Current Liabilities						
Provisions	23 065 000	-	**23 065 000**	25 359 554	**2 294 554**	52 AE
Total Liabilities	**29 563 000**	**(2 400 000)**	**27 163 000**	**104 670 574**	**77 507 574**	
Net Assets	**557 281 000**	**1 508 000**	**558 789 000**	**545 233 524**	**(13 555 476)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	557 281 000	1 508 000	**558 789 000**	545 233 524	**(13 555 476)**	52 AF

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 Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Structures Act (Act 117 of 1998)
Constitution of the Republic of south Africa (Act 108 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007).

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Trade receivables / 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of infrastructure, community and other assets

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

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity 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.

Effective interest rate

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

Allowance for doubtful debts

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

In estimating the future cash flows, the entity 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 are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the entity, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

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 entity, 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.

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

If the municipality 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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

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

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 year.

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

Property, plant and equipment is initially measured at cost.

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

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

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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

The useful lives of items of property, plant and equipment have been assessed as follows (Refer to Note 51 on the correction of useful lives from the prior year):

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30-60
Machinery and equipment	Straight-line	5-20
Furniture and fixtures	Straight-line	7
Motor vehicles	Straight-line	3-20
Office equipment	Straight-line	3-20
Emergency equipment	Straight-line	5-15
Community	Straight-line	30-60
Other property, plant and equipment	Straight-line	5-20
Other community assets	Straight-line	15-30
Roads network	Straight-line	10-70
Electricity network	Straight-line	10-45
Storm water network	Straight-line	30-40
Landfile site Perimeter Protection and Structures	Straight-line	10-55

Land is not depreciated.

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 entity. 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

The entity assesses at each reporting date whether there is any indication that the entity 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 entity 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. Depreciation of an asset commences when the asset is ready for its intended use. 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 depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

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

1.6 Site restoration and dismantling cost

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

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 entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

The entity 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.

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 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 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;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

1.8 Financial instruments (continued)

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

1.8 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchanged transactions	Financial liability measured at amortised cost

Accounting Policies

1.8 Financial instruments (continued)

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

Initial recognition
The municiplaity 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 municiplaity 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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality 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 municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Gains and losses

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

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.

1.8 Financial instruments (continued)

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange 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.
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Payables from exchange transactions	Financial liability measured at amortised cost

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

1.9 Statutory receivables (continued)

The entity 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 entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Other charges

Where the entity 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 entity 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 entity 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 entity 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 entity 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.

Accounting Policies

1.9 Statutory receivables (continued)

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

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

1.10 Tax

Value added taxation (VAT)

The municipality account for value added taxation of the accrual basis.

1.11 Leases

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

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

Finance leases - lessor

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

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

1.11 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The discount rate used in calculating the present value of the minimum lease payments is the 10%.

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

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

Operating leases - 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.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Accounting Policies

1.12 Construction contracts and receivables (continued)

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entiry.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity 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.

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

1.13 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 entity 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 entity 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 entity 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.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity 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.

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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 entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality 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:

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 entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Accounting Policies

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

Reversal of an impairment loss

The entity 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 entity 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.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 month after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due
.
Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued at ech reporting date by an independent qualified actuary and the corresponding liablity is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement fo Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by the independent qualified actuaries.

Accounting Policies

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity 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 entity considers that an outflow of economic resources is probable, an entity 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.

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

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

1.17 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.

1.18 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.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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 entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Accounting Policies

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

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

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

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

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

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, 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 entity 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, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

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

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.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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 entity 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 entity.

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

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

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

Taxes

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

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 entity 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 entity 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.

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the entity 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 entity and the fair value of the assets can be measured reliably.

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

The entity 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 entity and the fair value of the assets can be measured reliably.

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

1.20 Investment income

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

1.21 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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

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

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

1.26 Segment information

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

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

Measurement

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

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

1.27 Budget information

Entity 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 entity 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 2020/07/01 to 2021/06/30.

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

Accounting Policies

1.27 Budget information (continued)

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

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

1.28 Related parties

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

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

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

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

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted:

•	01 April 2023	Unlikely there will be a material impact
• Other 2	1 April 2023	Unlikely there will be a material impact
• Improvement to Standards of GRAP (2021)	1 April 2023	Unlikely there will be a material impact
• Guideline on Accounting for Landfill Sites	Effective date of Improvements on Property, Plant and Equipment	Unlikely there will be a material impact

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• Guideline on Accounting for Landfill Sites	Effective date of Improvements on Property, Plant and Equipement	Unlikely there will be a material impact
• GRAP 103 on Heritage Assets	Effective date of implementation not yet determined	Unlikely there will be a material impact
•		
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 2020 Improvements to the Standards of GRAP (2021)	01 April 2023	Unlikely there will be a material impact
• iGRAP 21 on The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023	2022
	Fair Value	Fair value
Investment property	43 268 226	42 457 957

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	42 457 957	810 269	43 268 226

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Investment property	36 284 781	4 347 826	1 825 350	42 457 957

Fair value of investment properties	43 456 957	42 457 957

Pledged as security

No investment property were pledged as security.

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property		
Investment property - Cost	-	-

In the 2022/23 financial year, no new investment property projects were constructed or developed..

Details of property

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by an independent valuer, Stafford Leyds. The valuers are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. Investment property is measured in accordance with the Fair value basis.

Amounts recognised in surplus or deficit

	2023	2022
Rental revenue from Investment property	1 308 691	1 209 048
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	**-**
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	**-**

No repairs and maintenance were done on investment property during the 2022-23 financial year.

Notes to the Annual Financial Statements

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4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 824 099	-	1 824 099	1 824 099	-	1 824 099
Buildings	67 493 603	(34 814 224)	32 679 379	67 531 350	(29 818 010)	37 713 340
Infrastructure	329 318 033	(156 364 926)	172 953 107	278 345 987	(147 277 411)	131 068 576
Community	274 386 936	(75 777 076)	198 609 860	277 898 158	(68 855 093)	209 043 065
Other property, plant and equipment	25 294 597	(15 610 390)	9 684 207	29 565 602	(19 309 907)	10 255 695
Work In Progress	106 840 516	-	106 840 516	129 142 286	-	129 142 286
Total	**805 157 784**	**(282 566 616)**	**522 591 168**	**784 307 482**	**(265 260 421)**	**519 047 061**

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 824 099	-	-	-	-	-	-	-	1 824 099
Buildings	37 713 340	-	(9 238)	-	-	(1 602 175)	(3 422 548)	-	32 679 379
Infrastructure	131 068 576	-	(2 217 653)	53 601 388	-	(10 448 325)	(404)	949 525	172 953 107
Community	209 043 065	45 942	(1 846 697)	-	-	(8 207 089)	(425 361)	-	198 609 860
Other property, plant and equipment	10 255 695	4 411 428	(3 303 984)	-	-	(1 663 306)	(15 626)	-	9 684 207
Work In Progress	129 142 286	31 299 618	-	-	(53 601 388)	-	-	-	106 840 516
	519 047 061	**35 756 988**	**(7 377 572)**	**53 601 388**	**(53 601 388)**	**(21 920 895)**	**(3 863 939)**	**949 525**	**522 591 168**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Total
Land	1 824 099	-	-	-	-	-	-	1 824 099
Buildings	39 374 178	107 831	-	-	-	(1 615 802)	(152 867)	37 713 340
Infrastructure	133 461 322	-	-	12 950 417	12 950 417	(13 206 012)	(15 087 568)	131 068 576
Community	174 326 476	-	(48 435)	21 570 326	21 570 326	(7 905 980)	(469 648)	209 043 065
Other property, plant and equipment	14 534 157	700 291	(3 434 431)	-	-	(1 544 322)	-	10 255 695
Work In Progress	108 067 346	55 595 683	-	-	(34 520 743)	-	-	129 142 286
	471 587 578	**56 403 805**	**(3 482 866)**	**34 520 743**	**-**	**(24 272 116)**	**(15 710 083)**	**519 047 061**

Property, Plant and Equipment Contractual Commitment 2022/2023	Operational Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Commitment to construct or develop property, plant and equipment	421 940	1 760 263	2 622 424	-	-	4 804 627
Subtotal	421 940	1 760 263	2 622 424	-	-	4 804 627
	421 940	**1 760 263**	**2 622 424**	**-**	**-**	**4 804 627**

Pledged as security

Property, plant and equipment has not been pledged as security or collateral.

Assets subject to finance lease (Net carrying amount)

Details of properties

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.

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Infrastructure	Community	Other PPE	Total
Opening balance	102 664 372	13 738 385	12 640 531	129 043 288
Additions/capital expenditure	29 342 825	-	1 956 794	31 299 619
Transferred to completed items	(53 601 388)	-	-	(53 601 388)
	78 405 809	**13 738 385**	**14 597 325**	**106 741 519**

Reconciliation of Work-in-Progress 2022

	Infrastructure	Community	Other PPE	Total
Opening balance	67 756 480	32 819 899	7 490 967	108 067 346
Additions/capital expenditure	47 858 309	2 587 811	5 149 563	55 595 683
Transferred to completed items	(12 950 417)	(21 570 326)	-	(34 520 743)
	102 664 372	**13 837 384**	**12 640 530**	**129 142 286**

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		
Machinery and Equipment	1 267 436	311 898
Transport assets	478 619	1 036 721
Roads, water and electrical assets	515 514	22 045
Land and buildings	884 857	1 419 091
infrastructure	72 172	57 900
	3 218 598	**2 847 655**

5. Service concession assets

6. Receivables from exchange transactions

Other receivables from exchange transactions	884 938	604 842
Prepaid expenses	501 784	492 077
Rental debtors	65 595	62 998
	1 452 317	**1 159 917**

Trade and other receivables past due but not impaired

The ageing of amounts not impaired is as follows:

Current	59 839	25 588
1 month past due	4 860	26 832
2 months past due	896	10 578
3 months + past due	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of R 17 267 862 (2022: R 12 951 637) were impaired and provided for.

The amount of the provision was R (17 267 862) as of 30 June 2023 (2022: R (12 951 637)).

The ageing of these amount past due and impaired is as follows:

Current	421 764	237 245
1 month past due	89 788	40 778
2 months past due	412 937	298 921
3 months + past due	16 343 373	12 374 693

Reconciliation of provision for impairment of trade and other receivables

Opening balance	12 951 637	9 862 239
Provision for impairment	4 316 225	3 089 398
	17 267 862	**12 951 637**

7. Receivables from non-exchange transactions

Consumer debtors - Rates	71 185 218	52 193 497

Non-current assets	-	-
Current assets	71 185 218	52 193 497
	71 185 218	**52 193 497**

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

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.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are past due are not considered to be impaired. At 30 June 2023, R 71 237 456 (2022: R 52 193 498) were past due but not impaired.

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

Current	15 422 393	10 794 002
1 month past due	-	2 582
2 months past due	-	-
3 months + past due	55 815 063	41 396 914

Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R - (2022: R 13 002 069) were impaired and provided for.

The amount of the provision was R (17 267 862) as of 30 June 2023 (2022: R (13 002 225)).

The ageing of these receivables is as follows:

Current	6 685 051	7 759 463
1 month past due	-	207
2 months past due	-	-
3 months + past due	44 650 475	39 987 159

Figures in Rand	2023	2022

7. Receivables from non-exchange transactions (continued)

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

Opening balance	47 746 829	36 163 558
Provision for impairment	3 588 697	11 583 271
	51 335 526	**47 746 829**

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

8. Statutory receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

VAT	7 510 017	2 459 638
The relating line item where statutory receivables are included is VAT receivable. (Refer to Note 10)		
Rates	71 237 456	52 193 497
The relating line item where statutory receivables are included is Receivables from non-exchange transactions (Rates). Refer to note 7 & 10.		
	78 747 473	**54 653 135**

Statutory receivables general information

Interest or other charges levied/charged

interest were charged on statutory receivables.

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess and test whether a statutory receivable is impaired, is based on the recoverabilty of the outstanding amount due by customers at year-end. The payment trend of the customer as well as whether any subsequent payments were made by the customer after year-end is considered in the assessment of impairment of receivables.

Statutory receivables past due but not impaired

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

Current	15 422 393	10 794 002
1 month past due	-	2 582
3+ months past due	55 815 063	41 396 914

Statutory receivables impaired

The amount of the provision was R(47 746 829) as of 30 June 2023 (2022: R36 163 558).

The ageing of these receivables is as follows:

Current to 3 months	6 685 051	7 759 670
3 Months past due	44 650 475	39 987 159

Reconciliation of provision for impairment

Opening balance	47 746 829	36 163 558
Provision for impairment	3 588 697	11 583 271
	51 335 526	**47 746 829**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. VAT receivable

VAT	7 642 248	2 466 868

Current tax receivable relates to a Value Added Tax Credit to be paid out by SARS. Kagisano-Molopo Local Municipality is registered as a VAT Vendor on the invoice basis. Included in the amounts disclosed on the face of the Statement of Financial Position may be amounts that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. These amounts are recorded as reconciling items until reasons for the disallowment can be investigated.

10. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	122 520 744	99 891 575
Rental receivables	17 333 457	13 014 635
	139 854 201	**112 906 210**
Less: Allowance for impairment		
Consumer debtors - Rates	(51 335 526)	(47 698 078)
Rental receivables	(17 267 862)	(12 951 637)
	(68 603 388)	**(60 649 715)**
Net balance		
Consumer debtors - Rates	71 185 218	52 193 497
Rental receivables	65 595	62 998
	71 250 813	**52 256 495**
Included in above is receivables from exchange transactions		
Property rentals	65 595	62 998
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Property rates	71 258 073	52 260 593
Net balance	**71 323 668**	**52 323 591**
Rates		
Current (0 -30 days)	15 423 614	10 794 002
61 - 90 days	55 761 604	41 399 495
	71 185 218	**52 193 497**
Rental debtors		
Current (0 -30 days)	59 839	25 588
31 - 60 days	4 860	26 832
61 - 90 days	896	10 578
91 - 120 days	-	-
	65 595	**62 998**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Farms and small holdings		
Current (0 -30 days)	161 324	108 806
31 - 60 days	-	2 789
61 - 90 days	-	-
91+ days	733 292	30 863 072
	894 616	30 974 667
Less: Allowance for impairment	(883 291)	(580 902)
	11 325	**30 393 765**

Rental,residential, commercial and other classification		
Current (0 -30 days)	1 199 346	906 547
31 - 60 days	95 182	85 481
61 - 90 days	413 367	329 624
91 - 120 days	19 604 697	15 509 277
	21 312 592	16 830 929
Less: Allowance for impairment	(21 178 050)	(16 639 133)
	134 542	**191 796**

National and provincial government		
Current (0 -30 days)	12 302 190	11 038 606
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	55 919 048	47 501 597
	68 221 238	58 540 203
Less: Allowance for impairment	(11 344 758)	(7 351 281)
	56 876 480	**51 188 922**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 248 224	590 855
Short-term deposits	606 719	1 053 823
	2 854 943	**1 644 678**

Cash and cash equivalents pledged as collateral

No financial assets were pledged as collateral.	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Primary Bank Account Acc no: 407801332	2 248 224	590 855	1 415 177	2 248 224	590 855	1 415 177
FNB Bank - Short-term Deposits Acc no.: 62360911202	520 304	490 052	3 475 243	520 304	490 052	3 475 243
FNB Bank - Short-term Deposits Acc no.: 62371561062	84 928	562 284	10 337 676	84 928	562 284	10 337 676
Standard Bank - Short-term Deposits Acc no.: 04 854 9592	1 487	1 487	1 487	1 487	1 487	1 487
Total	**2 854 943**	**1 644 678**	**15 229 583**	**2 854 943**	**1 644 678**	**15 229 583**

Figures in Rand	2023	2022

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	-	-
Expanded Public Works Grant	-	-
Local Government SETA Grant	-	-
Department of Sports, Arts and Culture Library Grant	-	447 422
Municipal Infrastructure Grant	4 781 837	-
Municipal Disaster Management Grant - COVID-19	-	-
Disaster Management Grant - COGTA - Refurnishement of Boreholes	-	-
Disaster Management Grant - COGTA - Collapsed Bridge of shuping-huhudi access road11	-	52 540
	4 781 837	**499 962**

See note 24 for reconciliation of grants from National/Provincial Government.

13. Provisions

Reconciliation of provisions and employee benefit costs- 2023

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	22 649 653	615 741	-	23 265 394
Employee benefit cost	1 983 368	347 630	(236 838)	2 094 160
	24 633 021	**963 371**	**(236 838)**	**25 359 554**

Reconciliation of provisions and employee benefit cost- 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	21 740 768	908 885	-	22 649 653
Employee benefit cost	1 714 469	331 107	(62 208)	1 983 368
	23 455 237	**1 239 992**	**(62 208)**	**24 633 021**

Non-current liabilities	25 193 641	24 375 963
Current liabilities	165 913	257 058
	25 359 554	**24 633 021**

Included in the provisions note is the employee benefit cost; Long service award liabillity broken down as follows :

The non current liabilities ammount of R25 193 641 (2023) and R24 375 963 (2022) is inclusive of non current liabilities of R1 928 248 (2023) and R1 726 311 (2022) which represents the long service awards liabillity.

The current portion of R165 913 (2023) and R257 058 (2022) relates to Employee cost benefit: Long Service Award liability

13. Provisions (continued)

Environmental rehabilitation provision

Key Assumptions
The timing for the possible outflow of resources for the maintenance and rehabilitation of the illegal dumping site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items.
- Included in the amount is a part time Civil Engineer as a site supervisor, a part time Occupational Health and Safety Officer and an Environment Control Officer to ensure that the site is closed in a safe manner and in terms of the OHS Act, the license and the Environmental Management Program.
- The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

Based on the key assumptions an estimated amount was calculated. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2023 when the construction project is actually undertaken.

This value will need to be escalated using the CPI for the area to the year of final rehabilitation, if that is what takes place in approximately 2 years from now when the site is actually full and the new site has been constructed and approved for waste disposal practices.

Legal proceedings provisions

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

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

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

Figures in Rand	2023	2022

13. Provisions (continued)

Employee cost benefit: Long service award liability

Key Assumptions
Financial assumptions: It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP25 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.

Future inflation assumption: The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

We have estimated the market's pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an 8-year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 6,46% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Discount rate assumption: The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The cashflow weighted duration of the liabilities is approximately 8 years. The given duration used in the previous valuation was 8 years. We have therefore used the nominal yield curve for zero-coupon SA Government bonds with duration of 8 years as at 30 June 2023. The resultant discount rate was 11,66%. The source is the Johannesburg Stock Exchange through IRESS data services.

Future salary inflation assumption: The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. We assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 7,46% per annum.

Net discount rate: Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 3,91% per annum (derived from a discount rate of 11,66% and the expected salary inflation rate of 7,46%). The implied net discount rate was 2,90% at the previous valuation.

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement. We have retained the assumed average retirement age of 63 for all employees which is consistent with the previous valuation. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

14. Debtors with credit balances

Property rates debtors	30 103 857	10 833 587
Rental debtors	159 501	385 080
	30 263 358	**11 218 667**

15. Payables from exchange transactions

Trade payables	23 857 953	18 178 371
Retentions	8 512 318	10 883 097
Other creditors	4 018 578	4 593 169
Accrued leave pay	6 664 331	6 555 111
Accrued bonus	1 213 645	1 035 360
	44 266 825	**41 245 108**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Revenue

Rental of facilities and equipment	1 373 604	1 291 874
Interest received	3 516 944	2 513 613
Other income	279 545	470 352
Interest received - investment	1 416 128	907 096
Property rates	13 390 539	20 937 985
Interest, Dividends and Rent on Land	22 102 418	18 682 438
Government grants & subsidies	185 822 360	175 173 393
Public contributions and donations	1 950 000	-
	229 851 538	**219 976 751**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	1 373 604	1 291 874
Interest received	3 516 944	2 513 613
Other income	279 545	470 352
Interest received - investment	1 416 128	907 096
	6 586 221	**5 182 935**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13 390 539	20 937 985
Interest, Dividends and Rent on Land	22 102 418	18 682 438
Transfer revenue		
Government grants & subsidies	185 822 360	175 173 393
Public contributions and donations	1 950 000	-
	223 265 317	**214 793 816**

Nature and type of services in-kind are as follows:

Kagisano Molopo Local Municipality makes use of a shared internal audit and risk function including the audit committee services at no cost to the Municipality.

17. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 308 691	1 209 048
Rental of Halls and Sports Facilities	64 913	82 826
	1 373 604	**1 291 874**

18. Lease rentals on operating lease

Equipment		
Contractual amounts	2 037 922	1 715 724

The operating lease payments relate to hiring of photocopying machines and scanners. The lease was entered into on 1 August 2019 for a period of 36 months. The contract was extended on a month-to-month basis.

19. Interest on outstanding debtors

Interest on outstanding debtors	22 102 418	18 682 438

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Other income

Sundry income	23 471	24 174
Tender documents	85 174	185 565
Insurance claims received	170 900	260 613
	279 545	**470 352**

21. Investment revenue

Interest revenue		
Bank	1 293 239	529 360
Interest received - call account investments	122 889	377 736
	1 416 128	**907 096**

22. Property rates

Rates received

Residential	199 352	139 432
Commercial	159 840	159 840
State	32 571 511	60 099 082
Municipal	536 625	1 073 250
Small holdings and farms	10 780 008	9 724 799
Public Benefit Organisations	600	600
Communal land	-	5 150 250
Vacant land	14 090	14 080
Less: Income forgone	(30 871 487)	(55 423 348)
	13 390 539	**20 937 985**

Valuations

Residential	33 709 000	24 119 000
Commercial	9 990 000	9 990 000
State	3 858 477 000	3 561 427 000
Municipal, Churches	113 468 000	113 368 000
Small holdings and farms	6 529 440 000	6 529 440 000
Public Benefit Organisations	4 815 000	4 815 000
Public Service Infrastructure	414 000	414 000
Communal land	-	305 200 000
Vacant land	1 820 000	1 820 000
	10 552 133 000	**10 550 593 000**

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

Rate tariffs are applied to properties as per property classification/catergory to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being the end of each finacial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year.

The municipality has extended the validation period of the current valuation roll. The new general valuation will be implemented on 01 July 2025.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Grants and subsidies paid

Other subsidies		
Recycling project	-	156 439
SMME Development	138 900	433 706
Goat Breeding Project	1 589 186	3 120 325
Disaster Management	365 531	619 009
	2 093 617	**4 329 479**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants and subsidies

Operating grants		
Equitable share	144 817 540	115 037 997
Financial Management Grant	3 000 000	2 850 000
Expanded Public Works Programme Grant	2 244 000	2 775 000
Local Government Seta Grant	98 951	98 794
Department of Sports, Arts and Culture Library Grant	447 422	569 646
Municipal Disaster Management Grant - COVID-19	-	-
	150 607 913	**121 331 437**
Capital grants		
Municipal Infrastructure Grant	29 144 163	41 114 000
Disaster Management Grant - COGTA - Refurnishment of Boreholes	6 070 284	6 418 496
Disaster Management Grant - COGTA - Collapsed Bridge of shuping-huhudi access road	-	6 309 460
	35 214 447	**53 841 956**
	185 822 360	**175 173 393**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	41 004 821	60 135 396
Unconditional grants received	144 817 540	115 037 997
	185 822 361	**175 173 393**

Equitable Share

The grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	2 850 000
Conditions met - transferred to revenue	(3 000 000)	(2 850 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 244 000	2 775 000
Conditions met - transferred to revenue	(2 244 000)	(2 775 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants and subsidies (continued)

Local Government Seta Grant

Balance unspent at beginning of year	-	-
Current-year receipts	98 950	98 794
Conditions met - transferred to revenue	(98 950)	(98 794)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

This grant is used for skills development within the Kagisano Molopo Local Municipality.

Department of Sports, Arts and Culture Library Grant

Balance unspent at beginning of year	447 422	205 068
Current-year receipts	-	812 000
Conditions met - transferred to revenue	(447 422)	(569 646)
	-	**447 422**

Conditions still to be met - remain liabilities (see note 12).

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	1 071 365
Current-year receipts	33 926 000	41 114 000
Conditions met - transferred to revenue	(29 144 163)	(41 114 000)
Repayment- of unspent grant	-	(1 071 365)
	4 781 837	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant was utilised to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included as current liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants and subsidies (continued)

Human Settlements Emergency Housing Grant

Balance unspent at beginning of year	-	1 922 632
Repayment of unspent grant	-	(1 922 632)
	-	-

Conditions still to be met - remain liabilities (see note 12).

This grant was received from the Department of Human Settlements and was utilised to erect emerency temporary housing for individuals within the Kagisano-Molopo jurisdiction.

The unspent portion amounting to R1 922 632 of 2019-20 financial year was returned to National Treasury in the 2021-22 financial year.

Disaster Management Grant - COGTA) - Refurnishement of Boreholes

Current-year receipts	6 070 284	6 418 496
Conditions met - transferred to revenue	(6 070 284)	(6 418 496)
	-	-

Conditions still to be met - remain liabilities (see note 12).

This grant was received by the Department of Cooperative Governance, through its disaster management grant, in response to the water shortage and draught relief in Kagisano-Molopo Local Municpality.

Disaster Management Grant - COGTA) - Collapsed Bridge of shuping-huhudi access road

Balance unspent at beginning of year	52 540	-
Current-year receipts	-	6 362 000
Conditions met - transferred to revenue	-	(6 309 460)
Repayment of unspent grant	(52 540)	-
	-	**52 540**

Conditions still to be met - remain liabilities (see note 12).

This grant was received by the Department of Cooperative Governance, through its disaster management grant, in response to the emergency repair of the collapsed bridge culvert near the Shuping Huhudi access road.

The unspent portion amounting to R52 540 of 2021-22 financial year was returned to National Treasury in the 2022-23 financial year.

25. Interest earned : outstanding debtors

Outstanding debtors: Rental	3 516 944	2 513 613

26. Public contributions and donations

Department of Forestry, Fisheries and Environmental Affairs	1 950 000	-

The municipality received a public contributions and donations in the form of a tipper truck from the Department of Forestry, Fisheries and Environmental Affairs. This truck has been disclosed under property plant and equipment. NOTE 4

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs

Basic salary	34 694 467	32 773 914
Bonus	2 138 174	1 767 344
Company contributions	6 311 392	5 464 428
Travel, motor car, accommodation, subsistence and other allowances	2 813 341	3 408 812
Long-service awards	347 630	331 107
Housing benefits and allowances	940 996	901 158
Other employee related costs	1 042 543	1 160 566
	48 288 543	**45 807 329**

Remuneration of Municipal Manager

Annual Remuneration	454 339	1 358 688
Car Allowance	73 323	12 000
Contributions to UIF, Medical and Pension Funds	1 056	2 040
Acting allowances	101 701	-
Other employee related costs	222 993	-
	853 412	**1 372 728**

Included in above summary of Employee Related Costs.

Mr Bojosinyane's contract was terminated on 07 November 2022. Mr Morapedi acted as the Municipal Manager from November 2022 untill April 2023
Mr ET Motsemme was then appointed as acting Municipal Manager form the 01st of May 2023 to date.

Remuneration of Chief Financial Officer

Annual Remuneration	1 054 334	1 038 943
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	2 255	2 040
Other employee related costs	9 600	9 600
	1 066 189	**1 050 583**

Included in above summary of Employee Related Costs.

Remuneration of Corporate Services Director

Annual Remuneration	601 163	789 896
Car Allowance	194 919	258 647
Contributions to UIF, Medical and Pension Funds	1 702	-
Other employee related costs	188 446	-
	986 230	**1 048 543**

Included in above summary of Employee Related Costs.

The Corporate Director's contract ended in March 2023. The position was still vacant as at 30 June 2023.

Remuneration of the Community Services Director

Annual Remuneration	466 326	789 896
Car Allowance	151 189	258 647
Contributions to UIF, Medical and Pension Funds	1 503	2 040
Other employee related costs	217 095	-
	836 113	**1 050 583**

Included in above summary of Employee Related Costs.

Figures in Rand	2023	2022

27. Employee related costs (continued)

The Community Services director's contract ended in January 2023. The position was still vacant as at 30 June 2023.

Remuneration of the Director of Planning and Development

Annual Remuneration	803 419	789 896
Car Allowance	260 515	258 647
Contributions to UIF, Medical and Pension Funds	2 255	2 040
	1 066 189	**1 050 583**

Included in above summary of Employee Related Costs.

Remuneration of the Director of Infrastructure and technical Services

Annual Remuneration	-	270 039
Car Allowance	-	90 194
Contributions to UIF, Medical and Pension Funds	-	770
	-	**361 003**

Included in above summary of Employee Related Costs.

The technical services director position was vacant for the period 1 July 2019 to 30 September 2020. The posiition was filled in 1 October 2020.

The technical services director resigned in November 2021. The position was still vacant as at 30 June 2023.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors

Mayor	902 629	841 586
Speaker	722 161	675 155
Mayoral Exective Committee Members	3 390 618	2 708 825
Councillors	6 819 913	6 723 562
Councillors’ pension contribution	13 732	47 166
Councillors' allowances	1 181 683	1 527 391
	13 030 736	**12 523 685**

In-kind benefits

The Mayor, Speaker and Mayoral Committee Members are full-time. The Mayor and Speaker are both provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution. No donations in kind were given to the Councillors during the year under review.

The Mayor and the Speaker each have the use of separate Council provided vehicles for official duties.

29. Depreciation and amortisation

Property, plant and equipment	21 985 136	24 230 726

30. Impairment of assets

Impairments		
Property, plant and equipment	2 914 414	15 710 084
During the verification process, assets found to be in poor condition were impaired. IIn		

31. Finance costs

Trade and other payables	1 038 232	89 856

32. Debt impairment

Contributions to debt impairment provision	7 953 674	14 638 314

The movement in bad debts relate to an increase in the provision of impairment of receivables.

33. Contracted services

Information Technology Services	4 199 662	3 695 970
Security Services	28 451 967	18 858 352
Valuation Roll and Fleet Management Services	1 226 455	241 779
Performance Management Services	1 000 000	1 112 070
Outsourced Services		
Administrative and Support Staff	4 378 522	5 497 462
Sewerage Services	81 000	157 075
Accounting and Financial Management Advisory	11 998 439	10 906 229
Legal Cost	13 885 362	3 072 376

Figures in Rand	2023	2022

33. Contracted services (continued)

Contractors		
Bore Waterhole Drilling	-	545 550
Brickmaking project	2 177 223	1 940 505
Maintenance of Buildings and Facilities	47 850	-
Pest Control and Fumigation/Disinfection	-	1 773 105
	67 446 480	**47 800 473**

34. General expenses

Advertising	766 103	192 056
Auditors remuneration	3 440 864	4 449 797
Bank charges	92 450	99 149
Cleaning	196 325	141 149
Software expenses	3 572 860	3 562 645
Disaster relief programs	87 434	234 946
Consumables	28 200	-
Legal Fees	-	-
Entertainment - Councillors	63 383	10 680
Greening project	-	55 600
Rental and hirie items	35 400	188 646
Insurance	2 802 303	2 487 440
Bursaries	1 425 087	783 925
Conferences and seminars	13 300	-
Employee assistance and wellness	539 610	249 800
Mayoral outreach programmes	1 404 285	700 813
Membership Fees - SALGA	659 337	536 029
Vehicle expenses - Licenses	919 039	19 753
Vehicle: Fuel and oil	877 897	2 171 330
Printing and stationery	2 355 350	3 207 460
Promotions	105 740	638 034
Protective clothing	23 000	1 399 792
Maintenance of illegal dumping sites	615 741	908 885
Refreshments and meals	796 322	551 767
Telephone and fax	1 526 652	1 996 892
Training	151 690	178 983
Small tools and equipment	1 184 602	319 892
Electricity	6 073 544	7 138 403
Travel and subsistence - Officials	4 317 030	4 811 360
Expanded Public Works Programme	5 253 425	7 155 216
Travel and subsistence: Councillors	2 241 718	1 342 593
Pauper Burials	267 861	63 955
Skills Development Levy	531 991	492 574
Grade 12 Excellency Awards	475 583	368 558
Youth Women Elderly and Other Support Programmes	4 063 456	4 173 608
Public Participation programmes	1 026 330	835 550
Mayoral support programmes	282 600	262 550
Ward Participation Support	2 084 045	1 367 200
Farming only	26 000	-
	50 326 557	**53 097 030**

35. Fair value adjustments

Investment property (Fair value model)	810 269	1 825 350

36. Auditors' remuneration

Fees	3 440 864	4 449 797

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

37. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	2 037 922	1 715 724

Loss on sale of property, plant and equipment	(7 377 572)	(894 005)
Impairment on property, plant and equipment	2 914 414	15 710 084
Depreciation on property, plant and equipment	21 985 136	24 230 726
Employee costs	61 319 279	58 331 014

38. Cash generated from operations

Surplus (deficit)	2 950 326	(1 882 259)
Adjustments for:		
Depreciation and amortisation	21 985 136	24 230 726
Gain on sale of assets and liabilities	8 955 213	894 005
Fair value adjustments	810 269	1 825 350
Impairment reversals	(8 410 642)	(15 710 084)
Debt impairment	7 953 674	14 638 314
Movements in provisions	726 533	1 177 783
Other non-cash items	846 037	(7 115 063)
Changes in working capital:		
Receivables from exchange transactions	(292 400)	(11 149 538)
Payables from exchange transactions	3 021 717	38 561 676
VAT	(5 175 380)	(2 466 868)
Unspent conditional grants and receipts	4 281 875	499 962
Debtors with credit balance	(685 105)	(685 105)
	36 967 253	**42 818 899**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 452 317	1 452 317
Other receivables from non-exchange transactions	-	71 185 218	71 185 218
Cash and cash equivalents	2 854 943	-	2 854 943
	2 854 943	**72 637 535**	**75 492 478**

Financial liabilities

	At cost	Total
Debtors with credit balance	30 262 358	30 262 358
Trade and other payables from exchange transactions	36 388 849	36 388 849
	66 651 207	**66 651 207**

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 159 917	1 159 917
Other receivables from non-exchange transactions	-	52 193 497	52 193 497
Cash and cash equivalents	1 644 678	-	1 644 678
	1 644 678	**53 353 414**	**54 998 092**

Financial liabilities

	At cost	Total
Debtors with credit balances	11 218 667	11 218 667
Trade and other payables from exchange transactions	33 654 637	33 654 637
	44 873 304	**44 873 304**

40. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	4 804 628	33 577 211
Total capital commitments		
Already contracted for but not provided for	4 804 628	33 577 211

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	4 804 628	33 577 211

Figures in Rand	2023	2022

41. Contingencies

Contingent liabilities

	2023	2022
Evelyn Mosarwa and Maphula Maphosa	-	217 054
The officials instituted legal proceedings with the CCMA against the municipality for unfair dismissal and labour practice. The judgement was in favour of the applicant. The municipality took the matter for review and the matter was referred to the Labour court.		
The matter was resolved during the 2022-2023 financial year and the officials were reinstated on 1 November 2022.		
M Moloto	-	-
The applicant instituted legal proceedings against the municipality for unfair suspension and labour practices. The matter was in favour of the municipality. The applicant took the matter up for review and is awaiting condonation.	-	-
The likelihood that the municipality would succeed in the matter is probable. Waiting for trial date from the registerer.Financial exposure could not be determined.		
Dorcas T Mosimaneeng	-	-
The applicant lodged a compliant with CCMA against the municipality for unfair dismissal. Applicant obtained a default award which stated that payment shall be made to the applicant before deductions and that the applicant be reinstated to the position she occupied prior to her dismissal.	-	-
The Applicant currently challenges the fact that we have re-instated her on 3 months basis as it was same terms and conditions which existed prior to the dismissal in the Labour Court. The employee received payment and was re-instated for 3months, the contract was then terminated. In November 2020, employee filed an application in terms of section 158(1)(c) of the Labour Relations act.		
A default judgement was given in favour of the plaintiff. The municipality referred the matter back to the CCMA as the municipality was not given an opportunity to present the case.		
The matter was resolved and the applicant was reinstated.		
	-	-
Dimpho Kgatlhane	-	-
The applicant lodged a complaint agaist the municipality for unfair labour practice: The Applicant refer a matter of unfair Labour practice because she believes she was unfair treated in an interview and that she should have be appointed as HR Manager. She referred the matter with the Bargaining council. An award was issued in Applicants favor.	-	-
The Municipality has taken the matter on review. The matter was resolved and the judgement was implemented as per the South African Local Government Bargaining Council award.		
	-	**217 054**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Contingencies (continued)

Contingent assets

	2023	2022
M Moloto & O Ntsimane	-	-
The municipality suspended the plaintiffs, however the plaintiffs intedicted the disciplanery hearing. The plaintiffs instituted legal proceedings against the municipality for unfair suspension. The matter was with the CCMA for unfair labour practice. An award was issued in favour of the respondent (Kagisano-Molopo Local Municipality) wherein the matter was closed.	-	-

The applicants took the matter on review at the Labour Court. The estimated cost of R400 000 will include attorney costs together counsel and correspondence fees. The municipality is of the opinion that the order will be granted of the municipality.

	2023	2022
Realkit Investments	-	280 000
The municipality instituted legal action against the Realkit Investments for constructing a building on the premises of the municipality during 2016/17 financial year. The right to occupy the land was given by the Ganyesa communal authority where the Ganyesa taxi rank is currently situated. The municipality is of the opinion that the construction of the building was done without the consent of the municipality.	-	-

The matter was settled in favour of the municipality.

	2023	2022
Kwane Capital (Pty) Ltd	5 000 000	5 000 000
A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings.	-	-

A letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 Kwane's attorneys were notified that their representations were not acceptable and demanding repayment of the amount paid over to them.

The prognosis of success had been excellent when the matter was about to proceed to court. After the municipality stayed proceedings, negotiations between the municipality and the debtor may have compromised the Municipality's case. The current prognosis of success is difficult to express an opinion on.

	2023	2022
Tshepo Matsiong	-	-
The municipality suspended the plaintiff, in the 2019-20 financial year for misconduct involving in an element of dishonesty. The matter was further referred to arbitration by the applicant.	-	-

The matter was in favour of the applicant. The municiplaity referred the matter for review. In the 2022-2023 financial year the matter was resolved and the applicant were reinstated on 1 November 2023.

	2023	2022
O Ntsimane	-	-
The case was referred to the CCMA by the applicant for unfair suspension and disciplanery action. The outcome of the CCMA proceedings were in fair of the municipality. The applicant is not entitled for compensation.	-	-

The applicant referred the matter to Labour Court for review. It is probable that the municipality will succeed in the matter. Financial exposure could not be determined.

	2023	2022
	-	-
Cllr Marabutse and 4 others// KMLM & 19 others Case No: UM78/2022	-	-

Notes to the Annual Financial Statements

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41. Contingencies (continued)

A court interdict was issued to nullify th the council meeting relating to the motion of no confidence against the mayor and the speaker of the municipality, as well as the adoption of the draft budget and IDP. Both parties were to give opportunity to argue on the matter before court. As at 30 June 2022 the matter has not sat before the court.Legal counsel is of the view that it is probable that the municipality will succeed with the case. The judgement was handed down in favour of the applicant. An appeal was lodged and noted by the former municipal manager, Mr. OT Bojosinyane against judgement in respect of payment of costs.	-	-
	-	-
M Selepile, B Setshogela	-	-
The officials were suspended with allegations of misconduct involving elements of fraud against these officials. Recommendations are that these officials in question be subjected to a disciplanery hearing. The likehood that the municipality will recover the money is probable.	-	-
	5 000 000	**5 280 000**

Notes to the Annual Financial Statements

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42. Related parties

Relationships	
Accounting officer	Refer to accounting officer's report note
Close family member of key management	Declarations of interest was circulated to all employees and a CIPC search was performed.

Related party balances

Related party transactions

	2023	2022
Purchases from (sales to) related parties		
Mr. Morebodi Mosarwa - Councillor - Tataisho And Projects	83 799	72 050
Mr. Morebodi Mosarwa - Councillor - CTSI Catering	19 999	28 690
Mr. Morebodi Mosarwa - Councillor - Sipmal Trading And Projects	29 000	41 785
Cllr M Mosarwa is related to these suppliers through directorship of a cooperative and is not a director in any of these companies listed above.	-	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

Remuneration of management

Councillors

Refer to note "Remuneration of councillors"

Senior management

2023

Name	Basic salary	Acting Allowance	Travel, motor car, accommodation, subsistance and other allowances	Employee related costs - Contributions to UIF, Pensions and medical	Other employee related costs	Total
Mr OT Bojosinyane	381 001	-	3 323	928	222 992	608 244
Mr RW Ferris	1 054 333	-	9 600	2 255	-	1 066 188
Ms B Madumo	466 326	-	151 188	1 503	217 094	836 111
Mr OO Ntsimane	601 163	-	194 919	1 702	188 445	986 229
Mr KE Morapedi	803 418	101 700	260 514	2 255	-	1 167 887
Mr ET Motsemme	73 337	-	70 000	177	-	143 514
	3 379 578	**101 700**	**689 544**	**8 820**	**628 531**	**4 808 173**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Related parties (continued)

2022

Name	Basic salary	Travel, motor car, accommodation, subsistance and other allowance	Employee related costs - Contributions to UIF, Pensions and medical	Other employee related costs	Total
Mr OT Bojosinyane	1 315 443	12 000	2 040	-	1 329 483
Mr RW Ferris	996 188	-	2 040	9 600	1 007 828
Ms B Madumo	747 141	258 647	2 040	-	1 007 828
Mr OO Ntsimane	747 141	258 647	-	-	1 005 788
Mr KE Morapedi	747 141	258 647	2 040	-	1 007 828
Ms LP Dikhutso	260 540	90 194	770	-	351 504
	4 813 594	**878 135**	**8 930**	**9 600**	**5 710 259**

*Refer to note "Employee related costs"

43. Prior period errors

The correction of prior period errors has been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors, by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Statement of financial position
Reveivables from exchange transactions:

The nett decrease of R53 397 receivables from exchange transactions is resultant of the following:

a) Decrease of R103 987 in the gross total of rental debtors due to correction of SASSA lease agreements incorrectly billed;
b) An increase of R50 588 in provision of impairment on rental debtors as a result of the correction made to SASSA debtors.

Receivables from non-exchange transactions:

The nett decrease of R 67 096 receivables from exchange transactions is resultant of the following:

a) Decrease of R115 855 in the gross total of property rates debtors due to correction on exempted properties incorrectly billed in prior years;
b) An increase of R48 752 in provision of impairment on property rates debtors as a result of the reversal of impairment on exempted properties incorrectly billed in the prior year.

VAT Receivables:

The increase in VAT Receivables of R7 230 is due to VAT incorrectly accounted for on assets in the prior year.

Investment Property:

The net increase decrease of R13 760 869 is due to the following: A comprehensive assessment of Land and Investment Property was conducted, involving multiple stages:

Ownership confirmation based on valuation roll followed by reclassification for proper registration between land and investment properties. The current year's growth was accurately attributed to investment properties. Municipality-disowned properties, including those with RDP houses, were removed. Illegally occupied properties were assigned zero value. These changes were retrospectively applied. The process was headed by a registered professional valuator.

Property, plant and equipment:

The net increase decrease of R4 071 616 is due to the following:

The decrease of R546 508 in property plant and equipment is resultant of retention incorrectly recorded in the prior year on Construction of an access road at Theunessen and Longaneng project.

1. Ongoing High Mast Lights Project:

The project titled "Erection of Gamanyai, Tlakgameng, and Gamodisenyane Highmast Light" was removed from the Fixed Asset Register. This decision was taken due to the ongoing nature of the project, awaiting connections from Eskom, and no assets from the project have been put into use as of yet.

2. Correction of Access Road Project Amount:

In response to a prior year error, an essential correction was made to the "Construction of an access road at Theunessen and Longaneng" project. The cost calculation for the entire project was revised to rectify the inaccuracies.

3. Capitalization of Completed Road Projects:

Figures in Rand	2023	2022

43. Prior period errors (continued)

Three distinct projects were successfully transitioned from the Work In Progress Register to the Roads Network category, signifying their completion and usability:

a. "Construction of Pico and Maamogwa Access Road in Phaposane Village"

b. "Sebetwane-Shupu to Seitsang access road"

c. "Planning, design, tender document, and construction of collapsed storm water culvert of shuping-huhudi access road (Turnkey)"

4. Refurbishment and Equipment of Boreholes Project:

The "Refurbishment and Equipment of Boreholes within KMLM" project underwent reclassification, with associated costs being expensed. This was due to the municipality's limited control over the assets, acting solely as executing agents on behalf of COGTA for the project.

5. Land and Investment Property Evaluation:

A comprehensive assessment of Land and Investment Property was conducted, involving multiple stages:

Ownership confirmation based on valuation roll followed by reclassification for proper registration between land and investment properties. The current year's growth was accurately attributed to investment properties. Municipality-disowned properties, including those with RDP houses, were removed. Illegally occupied properties were assigned zero value. These changes were retrospectively applied. The process was headed by a registered professional valuator.

6. Correction of Work In Progress Opening Balance:

A prior year correction in the opening balance of the Work In Progress Register was incorporated during the previous year.

7. Donated Asset Recognition:

A notable addition to assets stemmed from the donation of a Waste Skip Loader truck by the Department of Forestry and Fisheries and Environment.

8. Recognition of Prior Year Additions:

Unaccounted prior year additions were appropriately recognized and allocated to the relevant reporting period.

9. Extensive ARCGIS-Based Condition Assessment:

A thorough assessment leveraging ARCGIS technology was undertaken to evaluate the condition of both movable and immovable assets. This was instrumental in determining their updated conditions.

10. Intangible Asset Removal:

Intangible assets that did not meet the qualifying criteria were deliberately removed from the register, ensuring alignment with asset recognition guidelines.

Intangible assets

The prior year balance of R964 656 on intangible assets were adjusted to Zero, as the items does not meet the definition of an intangible asset,

Payables from exchange transactions:

43. Prior period errors (continued)

The nett decrease of R 6 639 791 in payables from exchange transactions is attributed to the following:

The decrease of R546 508 in retentions is resultant of retention incorrectly recorded in the prior year on Construction of an access road at Theunessen and Longaneng Theunessen project. An increase of R2 546 944 in other creditors as a result of backpay of salaries of reinstated officials as well as the backpay of remuneration of senior managers not accounted for in the prior year.

An increase in payables and accruals of R 4 092 845 is resultant of invoices not recorded in the prior year (2022).

Debtors with credit balances

The decrease of R214 581 debtors with credit balances is due to correction of SASSA lease agreements incorrectly recorded.

<u>Statement of financial performance</u>

Rental of facilities and equipment

The decrease of R36 857 in rental of facilities and equipment is due to correction of SASSA lease agreements incorrectly recorded in the prior year.

Interest received

The decrease of R1 488 in interest received is due to the reversal of interest charged on property rates debtors incorrectly charged on exempted properties.

Depreciation and amortisation:

A nett decrease in Depreciation and amortisation is attributed to:

Increase of R817 769 was due the the systematic allocation of useful lives of assets and service delivery.

A decrease of R2 620 830, resultant of incorrect classification of photocopiers contract as a finance lease instead of operating lease. This resulted in the decognition of the asset and recognition of operating lease in the statement of finance performance in the annual financial statements

Debt impairment:

The nett decrease of R84 946 on debt impairment is as a result of the adjustment made on the SASSA rental agreements and exempted properties on property rates debtors, incorrectly recorded,

Employee related costs:

An increase of R1 374 778 in employee related costs is resultant backpay of salaries of reinstated officials as well as the backpay of remuneration of senior managers not accounted for in the prior year.

Depreciation and amortisation

A nett decrease of R576 346 in depreciation and amortisation is due to the reversal of intangible assets and corrections to depreciation made to property, plant and equipement.

Transfers and subsidies:

An increase of R25 800 is due to adjustment expense incorrectly recorded as

General expenses:

A nett decrease of R 1 456 222 is resultant of invoices not recorded in the prior years.

Fair value adjustment:

Figures in Rand	2023	2022

43. Prior period errors (continued)

An increase of R2 254 350 in the fair value of investment property is due to the following:

A comprehensive assessment of Land and Investment Property was conducted, involving multiple stages:
Ownership confirmation based on valuation roll followed by reclassification for proper registration between land and investment properties. The current year's growth was accurately attributed to investment properties. Municipality-disowned properties, including those with RDP houses, were removed. Illegally occupied properties were assigned zero value. These changes were retrospectively applied. The process was headed by a registered professional valuator.

Interest on outstanding debtors:
Interest on outstanding rental debtors to the sum of R2 513 613 was incorrectly classified as revenue from non exchange transactions instead of revenue from exchange transactions and as such, a re-classification of votes was done.

Contracted services

A net increase of R 2 555 399 is resultant of invoices not recorded in the prior years which relate to security services

Cash Flow Statement:
The corrections made to the Cash Flow Statement. There was an increase on the net cash flows from operating activities which increase by R 3 076 447. This is resultant of the correction of the prior year errors mentioned above which had an impact on the cash flow presentation.

The correction of the error(s) results in adjustments is disclosed in note 42.

44. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Current Assets				
Receivables from exchanged transactions		1 213 316	(53 397)	1 159 919
Receivables from non-exchanged transactions		52 260 593	(67 096)	52 193 497
VAT Receivables		2 459 638	7 230	2 466 868
Non-current Assets				
Property, plant and equipment		523 118 676	(4 071 615)	519 047 061
Intangible assets		964 656	(964 656)	-
Investment property		56 218 826	(13 760 869)	42 457 957
Current Liabilities				
Payables from exchanged transactions		34 605 317	6 639 791	41 245 108
Debtors with credit balances		11 004 086	214 581	11 218 667
		681 845 108	**(12 056 031)**	**669 789 077**

Statement of financial performance

44. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Reclassification	Restated
Revenue from exchange transactions					
Rental of facilities and equipment		1 255 017	36 857	-	18 682 438
Interest on outstanding debtors		-	-	2 513 613	2 513 613
		-	-	-	-
Revenue from non -exchange transactions		-	-	-	-
Interest on outstanding debtors		21 196 051	-	(2 513 613)	18 682 438
Expenditure		-	-	-	-
Debt Impairment		14 723 260	(84 946)	-	14 638 314
Employee related costs		44 432 551	1 376 778	-	45 807 329
Depreciation and amortisation		24 807 072	(576 346)	-	24 230 726
Transfers and subsidies		(4 303 679)	(25 800)	-	(4 329 479)
General expenses		(51 640 808)	(1 456 222)	-	(53 097 030)
Contracted services		(45 245 074)	(2 555 399)	-	(47 800 473)
Fair value adjustment		(429 000)	2 254 350	-	1 825 350
Surplus for the year		**4 795 390**	**(1 030 728)**	**-**	**21 153 226**

45. Comparative figures

Certain comparative figures have been reclassified, refer to prior period adjustment note 43 and note 44.

46. Risk management

Liquidity risk

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

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

Credit risk

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

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

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

Financial instrument	2023	2022
Current Account (Primary Bank Account) - ABSA Bank Acc. No. 407801332	2 248 223	590 855
Other short-term investments	606 718	1 053 823
Receivables	72 637 535	53 353 414

These balances represent the maximum exposure to credit risk.

Market risk

Figures in Rand	2023	2022

46. Risk management (continued)

Interest rate risk

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

47. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 544 323 542 and that the municipality's total assets exceed its liabilities by R 544 323 542.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer will continue to allocate funding for the ongoing operations for the municipality.

48. Events after the reporting date

Management is not aware of any adjusting events that might have occurred after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Unauthorised expenditure

Opening balance as previously reported	327 677 661	271 584 638
Correction of prior period error	-	-
Opening balance as restated	**327 677 661**	**271 584 638**
Add: Expenditure identified - current	54 749 865	56 093 023
Add: Expenditure identified - prior period	-	-
Less: Approved/condoned/authorised by council	-	-
Closing balance	**382 427 526**	**327 677 661**

Unauthorised expenditure is due to the overspending of the total amount appropriated for a vote in the approved budget for the financial year.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps were taken after investigation process.

Recoverability of unuathorised expenditure

No material losses have been recovered.

50. Fruitless and wasteful expenditure

Opening balance as previously reported	2 446 544	2 356 688
Correction of prior period error	-	-
Opening balance as restated	**2 446 544**	**2 356 688**
Add: Expenditure identified - current	1 038 232	89 856
Add: Expenditure identified - prior period	-	-
[Other]	-	-
Closing balance	**3 484 776**	**2 446 544**

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts.
Investigations are ongoing.

i) No criminal or disciplinary steps were taken after investigation process.

Ii) No material losses have been recovered.

Figures in Rand	2023	2022

50. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Eskom	54 604	5 056
Telkom	11 083	15 861
Letlho Projects	346 312	-
Receiver of Revenue	626 233	68 939
	1 038 232	**89 856**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Irregular expenditure

Opening balance as previously reported	883 674 342	647 878 821
Correction of prior period error:	-	105 143 130
Opening balance as restated	**883 674 342**	**753 021 951**
Add: Irregular Expenditure - current	129 112 420	130 652 391
Add: Prior year irregular expenditure identified in the current year	9 580 672	-
[Other]	-	-
Closing balance	**1 022 367 434**	**883 674 342**

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

	Disciplinary steps taken/criminal proceedings
i) No criminal or disciplinary steps taken after investigation process ii) No material lossess have been recovered.	

Particulars of the non-compliance are as follows :

The winning provider's tax matters has been declared by SARS to be in order	833 273	-
Bid committees not correctly constituted	128 761 754	126 528 279
Bid process and Contract assessed and found to be non compliant with SCM Regulations	6 089 658	-
Declaration not attached	240 962	-
Quotations were obtained from suppliers that are not registered in the prospective supplier's list	971 344	-
'The winning provider submitted a declaration of interest	98 432	-
Three qoutes not obtained	1 697 669	4 124 112
	138 693 092	**130 652 391**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	656 102	-
Current year subscription / fee	693 311	656 102
Amount paid - current year	(669 045)	-
Amount paid - previous years	(656 102)	-
Discount received (early settlement)	(24 266)	-
	-	**656 102**

The prior year subscription were not paid at year-end.

The balance is included in payables from exchange transactions in the statement of financial position.

Audit fees

Opening balance	-	3 329
Current year subscription / fee	3 956 994	5 117 267
Amount paid - current year	(3 956 994)	(5 117 267)
Amount paid - previous years	-	(3 329)
	-	**-**

Audit fees balance include interest levied and is recorded inclusive of Value Added Tax.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

PAYE and UIF

Opening balance	(238 371)	(144 762)
Current year subscription / fee	10 535 700	9 669 843
Amount paid - current year	(10 498 036)	(9 832 391)
Amount paid - previous years	-	-
Penalties & Interest levied - current year	626 233	68 939
Penalties & Interest paid - current year	(626 233)	-
	(200 707)	**(238 371)**

Overpayment on SARS in the prior years. This amount is reflecting as an receivable in the statement of financial position.

Pension and Medical Aid Deductions

Opening balance	(46 601)	(46 601)
Current year subscription / fee	11 875 302	11 022 997
Amount paid - current year	(11 890 526)	(11 022 997)
	(61 825)	**(46 601)**

The balance is included in receivables from exchange transactions in the statement of financial position.

VAT

VAT receivable	7 642 248	2 466 868

VAT output payables and VAT input receivables are shown in note 9.

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the municipal manager and noted by Council. The expenses incurred as listed hereunder have been approved/condoned.

Incident		
Municipal fleet repair and maintenance	29 000	619 367
Advertisement in local newspaper	11 508	4 306
Municipal emergency disaster material	240 962	325 648
Information technology services	-	587 447
Stationary	33 380	-
Pauper funerals	33 695	-
License fees	-	82 720
Employee wellbeing programme	-	40 000
Specialised services	17 825	-
	366 370	**1 659 488**

Notes to the Annual Financial Statements

53. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Governance and Administration, Community Services and Local Economic Development and Basic Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the North West Province in the Dr Ruth Segomotsi District Municipality. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West Province were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Governance and administration	Governance and administration and financial services
Community and public safety	Community and social services, local economic development
Basic services	Provision of basic services, technical and infrastructure services

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Executive and council	Finance and Administration	Community and social services	Planning and development	Total
Revenue					
Revenue from non-exchange transactions	35 303 906	87 377 847	22 979 060	55 502 086	201 162 899
Revenue from exchange transactions	-	1 653 149	-	-	1 653 149
Interest revenue	-	27 035 490	-	-	27 035 490
Total segment revenue	**35 303 906**	**116 066 486**	**22 979 060**	**55 502 086**	**229 851 538**
Entity's revenue					**229 851 538**
Expenditure					
Employee related costs	3 345 076	23 714 219	10 828 139	10 401 109	48 288 543
Remuneration of councillors	13 030 736	-	-	-	13 030 736
Depreciation and amortisation	-	1 707 525	-	20 277 612	21 985 137
Impairment of assets	-	2 914 414	-	-	2 914 414
Finance costs	-	1 038 232	-	-	1 038 232
Lease rentals on operating lease	-	2 037 923	-	-	2 037 923
Debt Impairment	-	7 953 674	-	-	7 953 674
Repairs and maintenance	-	1 107 015	-	2 111 583	3 218 598
Contracted services	23 800	17 385 840	2 177 223	47 859 617	67 446 480
Transfers and Subsidies	-	-	2 093 617	-	2 093 617
Loss on disposal of assets and liabilities	-	7 377 572	-	-	7 377 572
General Expenses	14 019 406	20 875 131	6 362 030	9 069 989	50 326 556
Total segment expenditure	**30 419 018**	**86 111 545**	**21 461 009**	**89 719 910**	**227 711 482**
Total segmental surplus/(deficit)					**2 140 056**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Executive and council	Finance and Administration	Community and social services	Planning and development	Total
Assets					
Property,Plant and Equipment	-	58 785 010	209 777 379	254 028 778	522 591 167
Investment property	-	43 268 226	-	-	43 268 226
Total segment assets	**-**	**102 053 236**	**209 777 379**	**254 028 778**	**565 859 393**
Total assets as per Statement of financial Position					**565 859 393**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

	Executive and council	Finance and Administration	Community and social services	Planning and development	Total
Revenue					
Revenue from non-exchange transactions	17 590 594	98 149 181	15 893 010	64 478 592	196 111 377
Revenue from exchange transactions	-	1 762 226	-	-	1 762 226
Interest revenue	-	22 103 147	-	-	22 103 147
Total segment revenue	**17 590 594**	**122 014 554**	**15 893 010**	**64 478 592**	**219 976 750**
Entity's revenue					**219 976 750**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Expenditure					
Employee related costs	2 461 071	22 162 067	10 598 885	10 585 306	45 807 329
Remuneration of councillors	12 523 684	-	-	-	12 523 684
Depreciation and amortisation	-	1 527 655	-	22 703 070	24 230 725
Impairment of assets	-	15 710 085	-	-	15 710 085
Finance costs	-	89 856	-	-	89 856
Lease rentals on operating lease	-	1 715 724	-	-	1 715 724
Debt Impairment	-	14 638 314	-	-	14 638 314
Repairs and maintenance	-	1 348 619	-	1 499 036	2 847 655
Contracted services	-	17 281 088	1 940 505	28 578 880	47 800 473
Transfers and Subsidies	-	-	4 329 479	-	4 329 479
Loss on disposal of assets and liabilities	-	894 005	-	-	894 005
General Expenses	9 778 009	24 396 823	9 011 365	9 910 836	53 097 033
Total segment expenditure	**24 762 764**	**99 764 236**	**25 880 234**	**73 277 128**	**223 684 362**
Total segmental surplus/(deficit)					**(3 707 612)**
Assets					
Property,Plant and Equipment	-	62 433 665	220 210 584	236 402 810	519 047 059
Investment property	-	42 457 957	-	-	42 457 957
Total segment assets	**-**	**104 891 622**	**220 210 584**	**236 402 810**	**561 505 016**
Total assets as per Statement of financial Position					**561 505 016**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

By function

The municipality’s operations are in the North West Province.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Segment information (continued)

2023

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Executive and council	35 303 906	-	(30 419 019)	-
Finance and Administration	109 480 266	6 586 232	(86 111 544)	102 053 236
Community and social services	22 979 060	-	(21 461 009)	209 777 379
Planning and development	55 502 086	-	(89 719 909)	254 028 778
Total	**223 265 318**	**6 586 232**	**(227 711 481)**	**565 859 393**

*Excludes additions to financial instruments and post-employment benefit assets

2022

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Executive and council	17 590 594	-	(24 762 764)	-
Finance and Administration	116 831 620	5 182 935	(99 764 236)	104 891 622
Community and social services	15 893 010	-	(25 880 234)	220 210 584
Planning and development	64 478 592	-	(73 277 129)	236 402 810
Total	**214 793 816**	**5 182 935**	**(223 684 363)**	**561 505 016**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Budget differences

Material differences between budget and actual amounts

54. Budget differences (continued)

STATEMENT OF FINANCIAL PERFORMANCE

Revenue
Revenue from exchange transactions.

A) **Rental of facilities and equipmen**t
Several leasees terminated their contracts during the year and other properties were not rented out during the year, which were expected to be rented out. The budgeted amount were based on all rental properties expected income.
B) **Interest received (trading)**
Debtors collection rate decreased on rental of municipal investment property, resulting in the increase in interest charged on outstanding debtors that what was expected. Interest on property rates were not levied in the previous financial year and not budgeted form which resulted in the increase in interest earned on outstanding debtors.
C) **Other income**
The decrease is due to the insurance refunds that were budgeted for which were higher than the actual refunds received..

D) **Interest received - investment**
The decrease in investments is due to funds not invested in call investment accounts timeously, to attract higher interest revenue.
Revenue from non-exchange transactions
TAXATION REVENUE

E) **Property rates**
The variance of R3 539 is regarded as immaterial..
E1.**Interest on outstanding debtors**.
The variance identified is due to improper budgeting for interest charged on property rates which were not budgeted for.

F) **Government grants & subsidies**
The increase is due to the additional grant received by the Department of Human Settlement of R5 million, as well as the R53 000 that was refunded back to National Treasury on the unspent portion of the MIG grant of the prior year.
F1. Public contributions and donations.
This relates to the donation received by the Department of Environmental Affairs, which was not budgeted for in the 2022/23 financial year.
EXPENDITURE
G) **Employee related costs**
The decrease in employee related costs is due to budgeted vacant posts not timeously filled during the 2022-23 financial year, including terminations of officials..

H) **Remuneration of councillors**
The increase upper limits for the 2022-23 financial year for councillors were not approved by the Minister of Cooperative Governance and Traditional Affairs, which resulted in the actual expenditure in councillors remumeration being less than budgeted for.
I) **Depreciation and amortisation**
Depreciation increased from the budgeted amount, due to the additions on assets as well as improper budgeting regarding depreciation and amortisation. Depreciation on assets in the prior year was recalculated and restated.
J) **Impairment loss/ Reversal of impairments**
Impairment loss were not budgeted for, however due to the compilation of the fixed asset register, the need to impair was observed hence the increase in impairment
K) **Finance costs**
The increase in finance costs is due to interest charged on overdue accounts and interest levied on late payment and submission EMP201 returns to SARS.
K1. Lease rentals on operating lease .
This relates to improper budgeting for the payments relating to lease payments which were budgeted for under general expenditure

L) **Debt Impairment**
The increase in debt impairment was due to non-payment of services by customers, which was not expected hence it necessitated the impair overdue account. This is based on the methodology to account for the impairment of receivables
M. Repairs and maintenance
Repairs and maintenance were separately disclosed on the annual financial statements, however it was budgeted under general expenses and contracted services. This is due to misclassification of expenditure within the budget between

54. Budget differences (continued)

general expenses, contracted services and repairs and maintenances.

N) Contracted services
The increase in contracted services is attributed to increase expenditure on several outsourced services and functions. Security Services and Legal Fees are some of the services which resulted in over expenditure

O) Transfers and Subsidies
The variance on transfers and subsidies are due to inappropriate budgeting were other expense items as well as transfer and subsidies were budgeted as general expenditure

P) General Expenses
The increase in general expenses is due to lack of implementation of proper cost containment measures. This is taking into account the actual expenditure of repairs and maintenance, transfers and subsidies and general expenses.

Q. Loss on disposal of assets and liabilities
This is resultant of the assets not found at year-end which were recorded as disposed. This was not budgeted for

Q1 Fair value adjustment
This relates to the fair value adjustment made on investment property as at 30 June 2023. The increase was not budgeted using the prior year valuation as an estimate, this is due to improper budgeting

Q2) Gain(Loss) on the disposal of assets
This relate to the sale of municipal assets which were not budgeted for.

54. Budget differences (continued)

STATEMENT OF FINANCIAL POSITION

Current Assets

R) Receivables from exchange transactions
This was due to inappropriate budgeting for other receivables from exchanged transactions. The budget was mainly on rental receivables, after impairment of assets.

S) Receivables from non-exchange transactions
The variance is due to inappropriate budgeting on receivables. The increase is due to non-payment of property rates debtors accounts. State debtors were not impaired, which resulted in the increase from the budgeted amount. The methodology of impairment of debt impacted on the receivables balance at year-end

T) VAT receivable
VAT receivable is not budget for.

U) Cash and cash equivalents
The increase is resultant of the VAT refund which was received on the last day of the financial year.

Non-Current Assets

V) Investment property
The decrease is a result of the adjustment made to investment property in the prior year, which was restated.

W) Property, plant and equipment
The increase is due to the increase in completed projects as well as the restatement of property, plant and equipment.

X) Other Non current assets
This relate to the intangible assets which were budgeted for, however; adjusted at year end and removed from the AFS, as these expenses do not meet the definition of assets.

Liabilities

Current Liabilities

Z) Payables from exchange transactions
The budgeted amount is on trade payables as per the approved budget. The actual expenditure amount relates to all payables from exchange transactions, such as salary accruals, retentions and other creditors. The difference noted is that the payables budget amount only records the trade payable amount and not salary accruals, retentions, and other creditors. Increase in trade payables due to creditors not settled at year-end and increase in retentions as a result of the capital projects undertaken by the municipality..

AA) Unspent conditional grant and receipts
The municipality anticipated the unspent conditional grant to be fully spent at year-end; however, not all grant allocations were spent resulting in the increase.

AB) Provisions - current
Provisions are budgeted at a group amount and is not split between current and non-current portion. The increase is due the increase in provision for long-service awards at year-end..

AC) Debtors with credit balance

This relate to debtors with credit balances as at year-end as a result of the over payment of debtors accounts, which were not budgeted for..

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Budget differences (continued)

Non-Current Liabilities

AE) Provisions - non current
Provisions are budgeted at a group amount and is not split between current and non-current portion. The increase is due the increase in provision for landfill sites as per the expert's report.

AF) Accumulated surplus
The variance on accumulated surplus is due to prior year errors, misstatements and other corrections.

55. Gain on disposal of assets and liabilities

Property, plant and equipment		
Transport assets	-	894 005

* See Note 43