



ALFRED NZO

DISTRICT MUNICIPALITY

ALFRED NZO DISTRICT MUNICIPALITY
(Registration number DC44)
Annual Financial Statements
for the year ended 30 June 2023

**AUDITOR GENERAL
SOUTH AFRICA**
07 DEC 2023

ALFRED NZO DISTRICT MUNICIPALITY

(Registration number DC44)

Annual Financial Statements for the year ended 30 June 2023

General Information

	EMAXESIBENI 4735
Business address	1400 NTSIZWA STREET EMAXESIBENI 4735
Postal address	PRIVATE BAG X 511 EMAXESIBENI 4735
Bankers	First National Bank
Auditors	Auditor General SA Registered Auditors
Legal Manager	M. Dubula
Municipal Website	www.andm.gov.za

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ALFRED NZO DISTRICT MUNICIPALITY

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

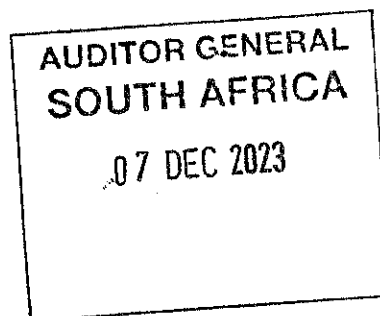
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6 to 85, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed by:

Accounting Officer
Zamile H. Sikhundla



ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	4	14 827 776	19 665 366
Receivables from non-exchange transactions	5	532 702	9 623 050
Receivables from exchange transactions	6	62 310 797	50 755 164
Cash and cash equivalents	7	1 110 225 379	966 972 216
VAT receivable	8	25 061 627	31 006 356
		1 212 958 281	1 078 022 152
Non-Current Assets			
Property, plant and equipment	9	5 431 380 438	5 056 174 775
Intangible assets	10	7 649 020	762 912
Investments in controlled entities	11	100	100
Heritage assets	12	131 100	131 100
Investments	14	10 838 087	10 134 587
Other non current receivables		7 879 073	7 704 963
		5 457 877 818	5 074 908 437
Non-Current Assets		5 457 877 818	5 074 908 437
Current Assets		1 212 958 281	1 078 022 152
Total Assets		6 670 836 099	6 152 930 589
Liabilities			
Current Liabilities			
Operating lease liability	15	226 024	223 529
Payables from exchange transactions	16	158 051 913	239 353 274
Employee benefit obligation	17	1 480 000	2 002 000
Unspent conditional grants and receipts	18	14 106 643	1
Provisions	19	32 960 191	26 513 487
Payables from non exchange transactions	20	2 094 850	3 006 207
		208 919 621	271 098 498
Non-Current Liabilities			
Employee benefit obligation	17	10 955 000	10 080 000
Non-Current Liabilities		10 955 000	10 080 000
Current Liabilities		208 919 621	271 098 498
Total Liabilities		219 874 621	281 178 498
Assets		6 670 836 099	6 152 930 589
Liabilities		(219 874 621)	(281 178 498)
Net Assets		6 450 961 478	5 871 752 091
Accumulated surplus		6 450 961 480	5 871 752 091
Total Net Assets		6 450 961 480	5 871 752 091

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* See Note 48 & 42

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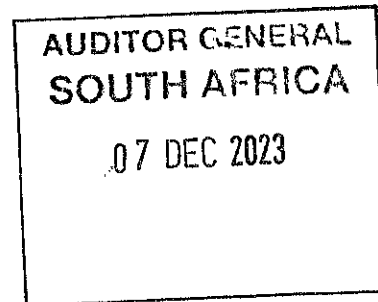
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Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets for the Period Ended 30 June 2023

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	5 157 039 972	5 157 039 972
Changes in net assets		
Prior period adjustments	(9 747 949)	(9 747 949)
Net income (losses) recognised directly in net assets	(9 747 949)	(9 747 949)
Surplus for the year	724 460 068	724 460 068
Total recognised income and expenses for the year	714 712 119	714 712 119
Total changes	714 712 119	714 712 119
Restated* Balance at 01 July 2022	5 871 752 091	5 871 752 091
Changes in net assets		
Prior period adjustments	(142 951)	(142 951)
Net income (losses) recognised directly in net assets	(142 951)	(142 951)
Surplus for the year	579 352 340	579 352 340
Total recognised income and expenses for the year	579 209 389	579 209 389
Total changes	579 209 389	579 209 389
Balance at 30 June 2023	6 450 961 480	6 450 961 480

Note(s)



* See Note 48 & 42

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> AUDITOR GENERAL SOUTH AFRICA 17 DEC 2023 </div>						
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	39 146 009	3 505 215	42 651 224	25 298 157	(17 353 067)	A
Rental of facilities and equipment	-	103 389	103 389	14 971	(88 418)	B
Agency services	187 292	-	187 292	221 196	33 904	C
Other income - (Reserves)	100 000 000	10 000 000	110 000 000	-	(110 000 000)	D
Other income	461 089	1 490 995	1 952 084	8 985 261	7 033 177	
Interest received on investments	30 178 832	35 000 000	65 178 832	83 345 961	18 167 129	E
Total revenue from exchange transactions	169 973 222	50 099 599	220 072 821	117 865 546	(102 207 275)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 259 407 000	56 703 616	1 316 110 616	1 278 297 932	(37 812 684)	F
'Total revenue from exchange transactions'	169 973 222	50 099 599	220 072 821	117 865 546	(102 207 275)	
'Total revenue from non-exchange transactions'	1 259 407 000	56 703 616	1 316 110 616	1 278 297 932	(37 812 684)	
Total revenue	1 429 380 222	106 803 215	1 536 183 437	1 396 163 478	(140 019 959)	
Expenditure						
Personnel	(304 627 072)	(2 494 762)	(307 121 834)	(289 287 928)	17 833 906	G
Remuneration of councillors	(13 181 363)	(1 148 580)	(14 329 943)	(11 306 562)	3 023 381	H
Legal Costs	(3 100 000)	(4 184 190)	(7 284 190)	(7 271 078)	13 112	I
Depreciation and amortisation	(100 000 000)	(10 000 000)	(110 000 000)	(98 992 541)	11 007 459	J
Lease rentals on operating lease	(2 300 000)	-	(2 300 000)	(1 616 800)	683 200	K
Debt Impairment	(24 538 848)	2 797 000	(21 741 848)	(13 404 022)	8 337 826	L
Bulk purchases	(10 000 000)	(3 313 500)	(13 313 500)	(13 312 408)	1 092	M
Contracted Services	(196 343 574)	4 840 730	(191 502 844)	(189 595 835)	1 907 009	N
Transfers and Subsidies	(31 150 000)	(16 315 778)	(47 465 778)	(40 976 629)	6 489 149	O
General Expenses	(146 711 881)	(23 538 231)	(170 250 112)	(151 310 956)	18 939 156	P
Total expenditure	(831 952 738)	(53 357 311)	(885 310 049)	(817 074 759)	68 235 290	
	1 429 380 222	106 803 215	1 536 183 437	1 396 163 478	(140 019 959)	
	(831 952 738)	(53 357 311)	(885 310 049)	(817 074 759)	68 235 290	
Operating surplus	597 427 484	53 445 904	650 873 388	579 088 719	(71 784 669)	
Actuarial gains/losses	-	-	-	1 373 754	1 373 754	
	597 427 484	53 445 904	650 873 388	579 088 719	(71 784 669)	
	-	-	-	1 373 754	1 373 754	
Surplus before taxation	597 427 484	53 445 904	650 873 388	580 462 473	(70 410 915)	
Deficit before taxation	597 427 484	53 445 904	650 873 388	580 462 473	(70 410 915)	
Taxation	-	-	-	-	-	
Surplus for the year from continuing operations	597 427 484	53 445 904	650 873 388	580 462 473	(70 410 915)	
Loss on disposal of assets	-	-	-	(1 110 133)	(1 110 133)	

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Statement of Comparison of Budget and Actual Amounts

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Budget on Accrual Basis

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

BUDGET COMMENTS

A - Service charges

Service charges were over budgeted for in the current financial year. The municipality is continuously installing meters but because of the budget constraints, this process is slow and not yielding quick results.

B - Rental of facilities and equipment:

The hiring of the facilities was less than what management anticipated.

C - Agency Services:

The municipality received commission from third-party payments. The actual revenue from these commissions is reasonable within the budgeted amount.

D - Reserves:

These are contributions from reserves to fund the budget. They are meant to fund non-cash expenditure such as depreciation.

- Other Income:

One of the major contributors to other income is the sale of tender documents which did not go as anticipated. Most of the activity is usually done in the last months of the financial year when the procurement plan for the next financial year is being implemented.

E - Interest received on investments:

Interest received is more than what was budgeted for due to the hikes of interest rates by the South African Reserve bank and the continuous implementation of the investment policy.

F - Government grants and subsidies:

The variance is due to the Regional Bulk Infrastructure Grant which is a Schedule 6B grant wherein the municipality claim from the Department of Water Services after the condition has been met.

EXPENDITURE:

G - Employee-related costs:

The budgeted amount was based on an estimated increase of 5% but the Council approved a 3% increase for the managers.

H - Remuneration of Councillors:

During the year under review, SALGA did not issue any circular for the increment of councillors, hence the variance and the budget was based on an estimated annual increase of 5%.

I - Legal costs:

The litigation costs are within the budgeted figures. In terms of the budget, legal costs are budgeted under contracted services and separated on Annual Financial Statements in compliance with GRAP.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	17 765 721	(8 957 421)	8 808 300	14 827 776	6 019 476
Receivables from non-exchange transactions	71 668 763	(44 147 107)	27 521 656	532 702	(26 988 954)
VAT receivable	-	-	-	21 742 163	21 742 163
Receivables from Exchange transactions	34 097 971	(537 141)	33 560 830	62 310 797	28 749 967
Cash and cash equivalents	938 236 102	13 240 807	951 476 909	1 110 225 379	158 748 470
	1 061 768 557	(40 400 862)	1 021 367 695	1 209 638 817	188 271 122

Non-Current Assets

Property, plant and equipment	5 282 540 476	43 734 075	5 326 274 551	5 431 380 437	105 105 886
Intangible assets	1 973 130	59 782	2 032 912	7 649 122	5 616 210
Heritage assets	131 100	-	131 100	131 100	-
Investments in controlled entities	100	-	100	100	-
Investments	9 883 779	-	9 883 779	10 838 087	954 308
Other Receivables	-	-	-	7 879 073	7 879 073
	5 294 528 585	43 793 857	5 338 322 442	5 457 877 919	119 555 477

Non-Current Assets	5 294 528 585	43 793 857	5 338 322 442	5 457 877 919	119 555 477
Current Assets	1 061 768 557	(40 400 862)	1 021 367 695	1 209 638 817	188 271 122
Total Assets	6 356 297 142	3 392 995	6 359 690 137	6 667 516 736	307 826 599

Liabilities

Current Liabilities

Operating lease liability	-	-	-	226 024	226 024
Payables from exchange transactions	166 353 769	2 493 496	168 847 267	158 051 913	(10 795 354)
VAT payable	-	-	-	-	-
Employee benefit obligation	2 400 968	-	2 400 968	1 480 000	(920 968)
Unspent conditional grants and receipts	-	-	-	14 106 643	14 106 643
Provisions	27 747 471	-	27 747 471	32 960 191	5 212 720
Payables from non exchange transactions	116 400 133	(411)	116 399 722	2 094 850	(114 304 872)
	312 902 341	2 493 087	315 395 428	208 919 621	(106 475 807)

Non-Current Liabilities

Employee benefit obligation	10 386 728	-	10 386 728	10 955 000	568 272
Current Liabilities	312 902 341	2 493 087	315 395 428	208 919 621	(106 475 807)
Non-Current Liabilities	10 386 728	-	10 386 728	10 955 000	568 272
	-	-	-	-	-
Total Liabilities	323 289 069	2 493 087	325 782 156	219 874 621	(105 907 535)

Assets	6 356 297 142	3 392 995	6 359 690 137	6 667 516 736	307 826 599
Liabilities	(323 289 069)	(2 493 087)	(325 782 156)	(219 874 621)	105 907 535
Net Assets	6 033 008 073	899 908	6 033 907 981	6 447 642 115	413 734 134

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Statement of Comparison of Budget and Actual Amounts

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Service Charges	35 231 000	5 743 000	40 974 000	13 122 790	(27 851 210)
Other revenue	100 648 341	11 594 424	112 242 765	9 221 428	(103 021 337)
Transfers and Subsidies - Operational	708 835 000	29 821 537	738 656 537	729 617 345	(9 039 192)
Transfers and Subsidies - Capital	550 572 000	26 882 079	577 454 079	562 787 230	(14 666 849)
Interest income	30 178 832	35 000 000	65 178 832	68 935 817	3 756 985
	1 425 465 173	109 041 040	1 534 506 213	1 383 684 610	(150 821 603)

Payments

Employee costs	(317 808 435)	(3 643 342)	(321 451 777)	(294 317 757)	27 134 020
Suppliers	(389 605 455)	(32 305 768)	(421 911 223)	(422 953 518)	(1 042 295)
Grants and subsidies	-	-	-	(40 976 629)	(40 976 629)
	(707 413 890)	(35 949 110)	(743 363 000)	(758 247 904)	(14 884 904)

Total receipts	1 425 465 173	109 041 040	1 534 506 213	1 383 684 610	(150 821 603)
Total payments	(707 413 890)	(35 949 110)	(743 363 000)	(758 247 904)	(14 884 904)
Net cash flows from operating activities	718 051 283	73 091 930	791 143 213	625 436 706	(165 706 507)

Cash flows from investing activities

Purchase of property, plant and equipment	(592 261 900)	(53 793 857)	(646 055 757)	(475 013 436)	171 042 321
Proceeds from sale of property, plant and equipment	-	-	-	580	580
Purchase of other intangible assets	-	-	-	(7 181 688)	(7 181 688)
Movement in non current investments	9 884 000	-	9 884 000	-	(9 884 000)
Proceeds from loans	-	-	-	11 001	11 001
Net cash flows from investing activities	(582 377 900)	(53 793 857)	(636 171 757)	(482 183 543)	153 988 214

Net increase/(decrease) in cash and cash equivalents	135 673 383	19 298 073	154 971 456	143 253 163	(11 718 293)
Cash and cash equivalents at the beginning of the year	812 446 000	(6 057 000)	806 389 000	966 972 216	160 583 216
Cash and cash equivalents at the end of the year	948 119 383	13 241 073	961 360 456	1 110 225 379	148 864 923

Reconciliation

Accounting Policies

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, any costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of. 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:

Item	Depreciation method	Average useful life
Land	Straight-line	Unlimited
Buildings	Straight-line	10 - 40
Plant and machinery	Straight-line	2 - 20
Furniture and fixtures	Straight-line	2 - 20
Motor vehicles	Straight-line	4 - 10
Office equipment	Straight-line	2 - 20

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Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 - 5

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

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

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Accounting Policies

1.8 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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1.9 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
Unlisted Investments	Financial asset measured at amortised cost
Investments in Fixed Deposits	Financial asset measured at amortised cost
Long Term Receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents - Call Deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

Initial Recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value). The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

- > a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- > non-exchange revenue, in accordance with the standard of GRAP on revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of the financial assets and financial liabilities

The entity 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, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is

- > combined instrument that is required to be measured at fair value ;or
- > an investment in a residual interest that meets the requirements for reclassification.

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1.9 Financial instruments (continued)

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 fair values at that date. Any difference between the consideration received and the amounts recognised in the 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 recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not 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 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 a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial Liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e - when the obligation specified in the contract is discharged, cancelled, expires or waived. A 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) extinguishing or transferred to another party and the consideration paid, including any non cash- assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived , forgiven or assumed by another entity by way of a non- exchange transaction are accounted for in accordance with the Standard of GRAP on revenue from non-exchange Transaction (Taxes and Transfers)

Presentation

Interest relating to a financial instrument or component that is a financial liability is derecognised 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 a residual interests are accounted for in accordance with the International Accounting Standards on Income Taxes.

A financial asset and a financial liability are only offset and 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.

1.10 Leases

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

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

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1.11 Inventories (continued)

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, dams, etc). However, water in natural resources, that are filled by rain and that has not yet been treated, and is not under the control of the Municipality and cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial Position. Water that is found in its natural state, such as in rivers, dams, streams, lakes, boreholes, and the sea meets the definition of a non-living resource. From time to time an entity may intervene as part of its mandate or service delivery objective. For example an entity may undertake measures to ensure that the quality of the water in rivers and dams is maintained. This will not result in a change in the water's natural state, and the definition of a non-living resource is therefore still met. The Municipality does not have non-living resources and GRAP 110 is not applicable to it.

The basis of determining the cost of water purchased and not yet sold at the statement of Financial position date comprises all costs of purchases, cost of conversion, and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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1.12 Impairment of cash-generating assets (continued)

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 municipality 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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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.

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.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

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

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

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

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

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

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

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1.14 Employee benefits (continued)**Multi-employer plans and/or State plans and/or Composite social security programmes**

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.15 Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (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.

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1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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Accounting Policies

1.19 Unauthorised expenditure (continued)

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.

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

1.20 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.

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

1.21 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

Irregular expenditure ", in relation to a municipality or municipal entity, means

- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1988 (Act No.20 of 1998);or
- d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- > Municipal Finance Management Act, Act 56 of 2003, and its regulations
- > Municipal Systems Act, Act 32 of 2000, and its regulations
- > Public Office Bearers Act, Act 20 of 1998, and its regulations; and
- > The municipality's supply chain management policy, and any by-laws giving effect to that policy.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008).

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 and 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.

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Accounting Policies

1.23 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.

Comparative information is not required.

1.24 Related parties

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

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

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

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

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

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

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

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

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

Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, Executive Directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25 Events after reporting date

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Segment information

General information

Identification of segments

The municipality is organised and operates in three key functional segments (or business areas). 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. Revenue and expenditure relating to these business are allocated at a transactional level. Costs relating to governance and administration of the municipality are not allocated to these business areas.

The three key business areas comprise of:

Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services.

Economic and environmental services which include planning and development, road transport and environmental protection

Trading services which includes energy sources, water management and waste water management

The grouping of these segments is consistent with the functional classifications of government activities which considers the nature of the service, the beneficiaries of such services and the fees charged for the services rendered (if any).

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3. Segment information (continued)

Total revenue reconciling items	Community Services	Economic Environmental Affairs	Water and Sanitation	Other Segments & Admin	Total
	131 100	9 877 228	5 349 996 913	87 034 390	5 447 039 631
Long term investment	-	-	-	10 838 087	10 838 087
Investment in controlled entities	100	-	-	-	100
Total segment assets	131 200	9 877 228	5 349 996 913	97 872 477	5 457 877 818
Total assets as per Statement of financial Position					5 457 877 818

Liabilities	Community and Public Safety	Economic Environmental Affairs	Water and Sanitation	Other Segments & Admin	Total
Segment liabilities	-	-	-	216 555 257	216 555 257
Total liabilities as per Statement of financial Position					216 555 257

Cashflows	Community and Public Safety	Economic Environmental Affairs	Water and Sanitation	Other Segments & Admin	Total
Cashflow from operating activities	625 436 705				625 436 705
Cashflow from investing activities	(482 183 543)				(482 183 543)

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3. Segment information (continued)

Assets	Community and Public Safety	Economic Environmental Affairs	Water and Sanitation	Other Segments & Admin	Total
Segment assets	131 100	-	4 986 144 674	1 156 520 128	6 142 795 902
Long term Investment method)	-	-	-	10 134 587	10 134 587
Investments in controlled entities	100	-	-	-	100
Total segment assets	131 200	-	4 986 144 674	1 166 654 715	6 152 930 589
Total assets as per Statement of financial Position					6 152 930 589

Liabilities

Segment liabilities	-	-	-	281 178 498	281 178 498
Total liabilities as per Statement of financial Position					281 178 498

Cashflow from operating activities

Cashflows from Investing activities

	Other Segments	Total
Cashflow from operating activities	820 031 887	820 031 887
Cashflows from Investing activities	(628 203 188)	(628 203 188)
	191 828 699	191 828 699

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6. Receivables from Exchange Transactions		
Gross Balances		
Water	150 534 739	128 856 756
Sewerage	24 866 225	21 515 365
Other	1 334 107	1 392 296
	176 735 071	151 764 417
Less: Allowance for impairment		
Water	(92 600 953)	(81 906 277)
Sewerage	(21 082 891)	(18 339 053)
Other	(740 430)	(763 923)
	(114 424 274)	(101 009 253)
Net Balance		
Water	57 933 786	46 950 479
Sewerage	3 783 334	3 176 312
Other	593 677	628 373
	62 310 797	50 755 164
Water		
Current (0 -30 days)	2 916 359	2 924 298
31 - 60 days	2 989 491	2 138 955
61 - 90 days	2 650 591	2 061 672
91 - 120 days	2 435 754	1 792 965
> 121 days	139 542 544	-
	150 534 739	8 917 890
Sewerage		
Current (0 -30 days)	403 470	424 565
31 - 60 days	402 241	334 820
61 - 90 days	392 341	324 779
91 - 120 days	386 929	320 706
121 - 365 days	23 281 244	20 110 495
	24 866 225	21 515 365

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6. Receivables from Exchange Transactions (continued)		
Less impairment allowance	(740 430)	(763 922)
	593 677	628 375

TOTAL		
Current (0 -30 days)	3 397 682	3 348 863
31 - 60 days	3 471 078	2 473 775
61 - 90 days	3 129 314	2 386 451
91 - 120 days	2 914 694	2 113 671
121 - 365 days	163 822 303	141 441 658
	176 735 071	151 764 418

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Reconciliation of allowance for impairment		
Balance at beginning of the year	(101 009 253)	(94 507 585)
Contributions to allowance	(13 415 021)	(6 501 668)
	(114 424 274)	(101 009 253)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances (Primary Account)	103 566 325	6 808 358
Short-term deposits	1 006 659 054	960 163 858
	1 110 225 379	966 972 216

The municipality had the following bank accounts ...

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Main Account- Current Account #62024932974	135 814 993	12 976 230	106 380 422	103 566 323	6 808 359	83 531 239
ANDM Main Call Account #624774364553	394 732 048	222 870 871	328 234 743	394 732 048	222 870 871	328 234 743
DBSA- Loan Account # 6245228732	162 549 979	119 977 518	79 674 807	162 549 979	114 302 038	79 674 807
Rural Road Asset Management #62454657720	40 000	4 716 220	2 364 712	40 000	4 716 220	2 364 712
Regional Bulk Account # 62027459371	54 951	1 811 937	6 547 358	54 951	1 811 937	6 547 358
EPWP Account #62058637110	61 518	17 890	411 757	61 517	17 890	411 757
FMG Account # 62033034597	5 152	3 315	715 180	5 152	3 315	715 180
WSIG Account # 62033034448	309 389	40 367 988	3 768 668	309 389	40 367 988	3 768 668
Energy & Efficiency Account # 62027455808	553 323	5 281	1 780 382	553 323	5 281	1 780 382
Salaries and Allowances Account #620255448855	414 918 315	170 958 541	185 500 697	414 918 315	170 958 541	185 500 697
ISDG Account #62093560136	18 786	11 801	2 385 856	18 786	11 801	2 385 856
MIG Account #62065368328	974 074	66 636 488	68 375 579	974 074	72 311 968	68 375 579
Money on call	32 441 518	27 846 573	11 852 540	32 441 518	27 846 573	11 852 540
Standard Bank	-	101 643 836	-	-	101 643 836	-
Standard Bank 2	-	203 287 671	-	-	203 287 671	-
Petty cash	-	-	-	-	7 928	-
Total	1 142 474 046	973 132 160	797 992 701	1 110 225 375	966 972 217	775 143 518

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9. Property, plant and equipment

	2023		2022			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	465 000	-	465 000	465 000	-	465 000
Buildings	61 503 561	(31 065 859)	30 437 702	58 491 057	(29 260 983)	29 230 074
Infrastructure	2 984 716 068	(795 146 169)	2 189 569 899	2 871 112 526	(708 490 744)	2 162 621 782
Other property, plant and equipment	103 341 369	(62 737 674)	40 603 695	98 441 067	(57 462 880)	40 978 187
Assets Under Constructions - Water	3 007 846 075	-	3 007 846 075	2 665 641 673	-	2 665 641 673
Assets Under Constructions - Sanitation	147 875 348	-	147 875 348	142 673 613	-	142 673 613
Assets Under Constructions - Buildings	4 705 591	-	4 705 591	4 157 592	-	4 157 592
Silos	9 877 128	-	9 877 128	8 660 854	-	8 660 854
Specialised vehicles	-	-	-	1 746 000	-	1 746 000
Total	6 320 330 140	(888 949 702)	5 431 380 438	5 851 389 382	(795 214 607)	5 056 174 775

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposal	Transfers from AUC	Depreciation	Total
Land	465 000	-	-	-	-	465 000
Buildings	31 034 429	-	-	-	(1 804 355)	29 230 074
Infrastructure	1 969 147 624	32 552 142	-	257 076 120	(91 624 481)	2 167 151 405
Other property, plant and equipment	45 588 143	6 129 907	(1 258 662)	-	(9 481 201)	40 978 187
Assets Under Construction - Water	2 210 354 744	544 349 754	-	(93 592 447)	-	2 661 112 051
Assets Under Construction - Sanitation	276 242 430	29 914 854	-	(163 483 673)	-	142 673 611
Assets Under Construction - Buildings	3 594 920	562 672	-	-	-	4 157 592
Assets Under Construction - Silos	2 716 964	5 943 890	-	-	-	8 660 854
Specialised vehicles	-	1 746 000	-	-	-	1 746 000
	4 539 144 254	6 21 199 219	(1 258 662)	-	(102 910 037)	5 056 174 774

Pledged as security

There were no assets pledged as security:

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance expenditure on Property, plant and equipment is disclosed under contracted services note number 38.

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.

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11. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023	Carrying amount 2022
Alfred Nzo Development Agency	South Africa		100.00 %	100.00 %	100	100
					100	100
					100	100

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12. Heritage assets (continued)

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	131 100	131 100

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	131 100	131 100

13. Staff loans

Staff Loans	1 041 861	1 052 861
	1 041 861	1 052 861
Allowance for doubtful debts	(1 041 861)	(1 052 861)
	-	-

The Municipality previously, in 2002, assisted some municipal officials with advances to buy motor vehicles through provision of car loans. Some of these officials left the municipality and some passed on. Means of tracing these employees were fruitless and the recoverability of the said amount is doubtful as a result. The loans have been fully impaired. The municipality does not offer loans to staff members anymore.

14. Investments

Designated at amortised cost

Nedbank long term investment 10 838 087 10 134 587

Non-current assets

Designated at amortised cost 10 838 087 10 134 587

Non-current assets 10 838 087 10 134 587

Account

	Cashbook 2023	Cashbook 2022	Bank statement 2023	Bank statement 2022	
Nebank Account	10 838 987	10 134 587	10 838 087	10 134 587	-

The investment is a fixed deposit that matures on 31 March 2025. The investment has a fixed interest rate of 14.07%

15. Operating lease liability (Accrual)

Current liabilities (226 024) (223 529)

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17. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 373 753)	(1 657 993)
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.38 %	11.00 %
Cost Inflation rate	6.62 %	7.00 %
Net effect discount rate	4.47 %	4.00 %
Expected Retirement Age - Females	62.00 %	62.00 %
Expected Retirement Age - Males	62.00 %	62.00 %

18. Unspent conditional grants and receipts

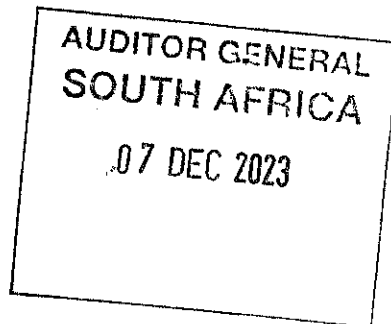
Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure Grant	14 106 640	-
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The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. During the financial year, the funding from WSIG was not fully spent and a roll over application has been submitted to National Treasury.

See note 28 for reconciliation of grants from National/Provincial Government. These funds are invested in a ring-fenced investment until utilised.



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21. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	25 298 157	26 422 862
Rental of facilities and equipment	14 971	1 761
Agency services	221 196	263 388
Other income	8 985 261	4 274 783
Actuarial gains	1 373 754	1 657 993
Interest received from investment	83 345 961	43 411 288
	119 239 300	76 032 075
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 278 297 932	1 352 693 814
22. Service charges		
Sale of water	21 851 878	22 893 232
Sewerage and sanitation charges	3 446 279	3 529 630
	25 298 157	26 422 862
23. Rental of facilities and equipment		
Premises		
Premises	14 971	1 761
24. Agency services		
Commission earned	221 196	263 388
25. Other income		
Sundry Income	1 015 750	785 900
Insurance income	400 000	138 535
Retentions forfeited	7 487 709	3 268 385
Fire levy	49 860	40 661
Clearance fees	31 942	41 302
	8 985 261	4 274 783
26. Interest Income		
Interest Income		
Short term investments	69 639 317	33 657 704
Debtors fair value adjustment	13 706 644	9 753 584
	83 345 961	43 411 288
	83 345 961	43 411 288

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The Nedbank investment is a fixed deposit that matures on the 31st of March 2025. Interest rate is fixed at 14.07%.

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28. Government grants & subsidies**Operating grants**

Equitable share	686 652 000	618 487 000
Climate change grant	-	17 831
Infrastructure skills development grant	5 500 000	5 500 000
Bank seta	3 488 815	591 500
Local government seta	593 534	494 689
Finance management grant	1 950 000	1 950 000
Emergency housing grant	16 626 000	-
Energy efficiency and demand management grant	2 420 000	4 000 001
Expanded public works programme	9 337 000	9 740 000
Rural roads asset management systems grant	3 049 996	2 340 000
	729 617 345	643 121 021

Capital grants

Municipal infrastructure grant	433 122 000	487 510 912
Water services infrastructure grant	85 893 359	145 000 000
Regional bulk infrastructure grant	29 665 228	77 061 881
	548 680 587	709 572 793
	729 617 345	643 121 021
	548 680 587	709 572 793
	1 278 297 932	1 352 693 814

Equitable Share

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

During the year, the municipality received its draw downs as per National Treasury indicatives.

Expanded Public Works Programme

Current-year receipts	9 337 000	9 740 000
Conditions met - transferred to revenue	(9 337 000)	(9 740 000)
	-	-

EPWP grant is used to incentivise municipalities to expand work creation through the use of labour intensive delivery methods in the following identified focus areas, in compliance with EPWP guidelines: road maintenance and maintenance of buildings, low traffic volume roads and rural roads, basic services, infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure) other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land based livelihoods, social services programmes and community safety programmes.

During the year the municipality received its draw downs as per National Treasury indicatives.

Finance Management Grant

Current-year receipts	1 950 000	1 950 000
Conditions met - transferred to revenue	(1 950 000)	(1 950 000)
	-	-

The Finance Management grant is allocated to municipalities to promote and support reforms in financial management by building capacities in municipalities to implement the Finance Management Act.

During the year, the municipality received its draw downs as per National Treasury indicatives.

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28. Government grants & subsidies (continued)

The grant is used to subsidise to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

During the year the municipality received its draw downs as per National Treasury Indicatives.

Water Services Infrastructure Grant

Balance unspent at beginning of year	1	1
Current-year receipts	100 000 000	145 000 000
Conditions met - transferred to revenue	(85 893 359)	(145 000 000)
	14 106 642	1

The grant is used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities.

During the year the municipality received its draw downs as per National Treasury indicatives. The municipality could not spend all the funds received and a roll over application has been made to National Treasury for the balance of R 11 106 642. The priorities for the grant were changed and sewer projects had to be prioritised, this then resulted in changes to business plans that were previously approved and subsequent delays in their approval.

Municipal Emergency Housing Grant

Current-year receipts	16 625 778	-
Conditions met - transferred to revenue	(16 625 778)	-
	-	-

The grant is for the provision of temporary shelter assistance to households affected by disasters.

During the year the municipality received its draw downs as per National Treasury indicatives.



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29. Employee related costs (continued)		
Remuneration of Senior Manager - IDMS		
Annual Remuneration	785 905	796 194
Car Allowance	191 356	191 356
Annual Bonus	64 263	63 277
Pension, Housing and Medical Expenses	242 501	242 501
UIF, SDL, Levy	14 662	14 821
	1 298 687	1 308 149
Remuneration of Senior Manager - Planning and Economic Development		
Annual Remuneration	666 877	727 503
Car Allowance	181 448	197 944
Annual Bonus	85 886	60 625
Contributions to Medical and Pension Funds	207 564	226 433
UIF, SDL, Levy	13 355	12 318
Leave pay	172 546	-
	1 327 676	1 224 823
30. Remuneration of councillors		
Councillors	11 306 563	10 499 131
Remuneration of councillors		
Executive Mayor	926 195	875 434
Deputy Executive Mayor	469 527	478 395
Speaker	752 508	338 969
Chief Whip	699 662	667 724
Mayoral Committee	5 602 264	4 515 794
Councillors	2 856 407	3 622 815
	11 306 563	10 499 131
The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the constitution of South Africa.		
The amount reflected on the face of the statement of financial performance is less compared to the disclosure note due to debtors raised for councillors.		
31. Litigation expenditure		
Legal fees	7 271 078	7 268 253
32. Depreciation and amortisation		
Property, plant and equipment	98 704 327	102 910 037
Intangible assets	288 214	492 017
	98 992 541	103 402 054
33. Finance costs		
Trade and other payables	-	406 049

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Figures in Rand	2023	2022
38. Cash generated from operations		
Surplus	579 352 340	724 460 068
Adjustments for:		
Depreciation and amortisation	98 992 541	103 402 054
Loss on sale of assets and liabilities	1 102 867	641 947
Actuarial gains	(1 373 754)	(1 657 993)
Loss on sale of intangibles	7 266	-
Interest on long term investment	(703 500)	(703 500)
Debt impairment	13 404 022	6 489 668
Movements in operating lease assets and accruals	2 495	18 483
Employee benefits obligations	1 726 754	1 537 993
Movement in leave provision	6 446 704	175 816
Other non-cash items	-	-
Changes in working capital:		
Inventories	4 837 591	(2 713 343)
Receivables from exchange transactions	(24 970 654)	(6 141 772)
Other receivables from non-exchange transactions	9 090 348	15 383 824
Payables from exchange transactions	(84 937 793)	65 202 554
VAT	9 264 193	1 334 493
Unspent conditional grants and receipts	14 106 642	(88 732 914)
Changes in payables from non exchange transactions	(911 357)	1 334 509
	625 436 705	820 031 887

39. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	At cost	Total
Long Term Investments	10 838 087	-	10 838 087
Unlisted Investments	-	100	100
Trade and Receivables from exchange transactions	62 310 797	-	62 310 797
Receivables from non-exchange transactions	532 702	-	532 702
Cash and cash equivalents	1 110 225 379	-	1 110 225 379
	1 183 906 965	100	1 183 907 065

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	154 732 549	154 732 549
Payables from non-exchange transactions	2 094 850	2 094 850
Operating lease liability	226 024	226 024
	157 053 423	157 053 423

2022

Financial assets

	At amortised cost	At cost	Total
Other financial assets	10 134 587	-	10 134 587

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Figures in Rand	2023	2022
41. Contingencies		
Contingent Liabilities	2023	2022
1) Sinezpho Urban and Rural Development vs ANDM. Claim against the Municipality for alleged termination of contract. The Municipality is defending the matter.	1 544 713	1 544 713
2) Moko vs ANDM. Letter of demand received in lieu of specialist consultancy services rendered. The Municipality is defending the matter.	375 927	375 927
3) Supa Brick Tile vs ANDM: Claim for payment of outstanding balance for building material supplied as per cession agreement.	127 782	127 782
4) Natal Joint Municipal Pension Fund vs ANDM: Claim for payment of outstanding fund contribution	147 937	147 937
5) Sikhokele Maphukatha vs ANDM: Claim for repudiation of employment contract	6 600 000	6 600 000
6) Arule Security vs ANDM :Claim for payment outstanding for services rendered.	1 392 679	1 392 679
7) Umso Construction vs ANDM- Claim for services rendered.	-	5 390 148
8) Yongama Gxumisa vs ANDM-Claim for repudiation of employment agreement.	5 000 000	5 000 000
9) Ntabankulu Regional Bulk Consultants vs ANDM- Alleged breach of contract	1 281 470	1 281 470
10) Sokhani Development vs ANDM- Claim for services rendered (Settled)	19 505 211	19 505 211
11) Ntabankulu Regional Bulk Consultants vs ANDM- Alleged breach of contract	2 215 549	-
	38 191 268	41 365 867

The municipality has been cited as a third respondent in case involving ANDA and FBBI Solutions where the complainant is suing ANDA for termination of contract.

The municipality has also been cited in a case involving ANDA and Madikizela where the complainant is suing ANDA for termination of employment.

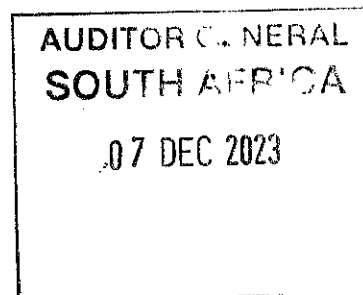
Contingent assets

	2023	2022
1. ANDM vs MP Civils: Failure to deliver a crawler sprinkler.	30 700	30 700
2. Lwanik Group - breach of contract	236 280	-
	266 980	30 700

42. Prior-year errors

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 as at 30 June 2022



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42. Prior-year errors (continued)

The municipality conducted a search for unrecorded liabilities relating to 2021/2022 financial year. The objective was to ensure that all the expenditure was reported correctly in the relevant accounting period. The search revealed that our general expenditure, bulk purchases were understated by R236 740 and R34 784, respectively. The contracted services were also understated by R873 625. The total adjustment on payables from exchange transactions were adjusted by R3 207 939 and Vat adjusted by R429 920 as a result of the above. There was an adjustment of R511 823 due to forfeited retentions.

Property plant and equipment, was revised as a result of a project that was reclassified from assets under construction to completed infrastructure. This also affected depreciation for the year. Further some of the retentions were incorrectly raised and had to be reversed and this also affected infrastructure assets.

Some of the legal costs and general expenses at R30 000 and R58 545 respectively, were incorrectly classified and had to be reclassified into contracted services at R 88 545. Contracted Service were reclassified within the same component to achieve fair presentation. There was also a reclassification of an amount of R57 600 from general expenditure to contracted expenditure.

Commitments were adjusted as a result of duplicated expenditure and adjustments of unrecorded liabilities. The total adjusted figure is R21 906 348

Statutory receivables were not properly disclosed in the prior financial year and in this year a disclosure to the effect has been made. The prior year correction on this item amounted to R 39 652 256 , for VAT and RBIG grant. Further more on VAT an adjustment of R10 350 513 as a result of a dispute by SARS.

Receivables from non exchange were reduced by an amount R 1 633 291 that was not going to be refunded by DWS, this also affected grant revenue. An amount of R7 704 963 for Eskom Deposits was reclassified from current assets to non-current assets as it is not receivable within a year after end of the financial year.

A correction of the opening balance on irregular expenditure, as a result of an incorrect inclusion of an item that did not qualify as irregular expenditure. Please refer to note 48 for further details.

A **Contigent liability**, case of Madikizela vs ANDA amounting to R 3 000 000, was previously disclosed by the Municipality and also by Alfred Nzó Development Agency (ANDA). This was corrected and the case is now only disclosed by ANDA in their AFS and only disclosed on consolidation by the Municipality.

43. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

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43. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2023	2022
Long term investment	10 838 087	10 134 568
Receivables from exchange Transactions	62 310 739	50 755 164
Receivables from Non exchange Transactions	532 702	9 623 050
Cash and cash equivalents	1 110 225 379	966 972 216

The municipality holds investments at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by various banks. The exposure risk on these deposits is considered to be low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors, the municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, council endeavours to collect such accounts by "levying of penalty charge", applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due. Refer to note 6 for more information regarding the provision for Impairment raised against each service type as well as receivables considered to be past due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are considered past due (more than 30 days outstanding)

Water	148 477 787	125 932 458
Sewerage	24 626 331	21 090 800
Other	1 334 107	1 392 297
	174 438 225	148 415 555

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance is individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral held from any of the counterparties.

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44. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Irregular expenditure	214 275 836	318 363 161
Fruitless and wasteful expenditure	18 250 096	18 250 096
Closing balance	232 525 932	336 613 257

45. Fruitless and wasteful expenditure

Opening balance as previously reported	18 250 096	17 844 047
Add: Fruitless and wasteful expenditure identified - current	-	406 049
Closing balance	18 250 096	18 250 096

Fruitless and wasteful expenditure presented is inclusive of VAT. There has not been any new fruitless expenditure in the current financial year. The balance is still under investigation by MPAC.

46. Irregular expenditure

Opening balance as previously reported	318 363 161	432 733 293
Add: Irregular expenditure - current	952 094	19 626 330
Add: Irregular expenditure - prior period	32 473 569	83 935 186
Less: Amount written off - current	-	(196 635)
Less: Amount written off - prior period	(137 512 988)	(217 735 013)
Closing balance	214 275 836	318 363 161

Cases under investigation

Expenditure on cases related to non-compliance with procurement process requirements amounted to R 214 275 836. The expenditure of R 32 473 569 incurred in the current year is for contracts that are continuing from the previous years. There has been additions to irregular expenditure in the current financial year that amounted to R952 094. These were also as a result of non compliance with supply chain policies.

Municipal Supply Chain Management Policies or By-laws	214 275 836	318 363 161
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Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R24 770 102 which came from contracts that are still on going but were investigated and approved for the write off in the previous financial year. An amount of R 112 742 886 relates to the contracts that were declared irregular in the prior years, investigated by MPAC and recommended for write off in the 2023 financial year. The balance on irregular expenditure is still under investigation.

Restatement of prior year balance

A prior year adjustment was made to the irregular expenditure, a contract between the Municipality and ECSECC was entered into in 2014. The contract was procured through section 110(2) of the MFMA which allows the Municipality to enter into a contract with other organ of state without following SCM procurement processes. The total expenditure on the contract was R 2 450 000 which was erroneously included in irregular expenditure, had to be removed. The total adjusted opening balance is R 318 363 162.

Recoverability steps taken/criminal proceedings

Steps in the form of Criminal proceedings were levelled against some of the former municipal officials and service provider, for not following scm procedures in procuring trucks.

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49. Additional disclosures in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	3 494 534	3 297 684
Amount paid - current year	(3 494 534)	(3 297 684)

- -

Audit fees

Current year subscription / fees	8 064 490	4 247 516
Amount paid - current year	(8 064 490)	(4 247 516)

- -

PAYE, UIF and SDL

Current year subscription / fees	46 365 374	44 954 258
Amount paid - current year	(46 365 374)	(44 954 258)

- -

Pension and Medical Aid deductions

Current year subscription / fees	56 053 215	54 547 394
Amount paid - current year	(56 053 215)	(54 547 394)

- -

50. Statutory receivables

The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Other statutory receivable - VAT Receivable	25 061 627	31 364 730
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Value Tax Act 89 of 1991

Other statutory receivable - DWS	-	8 270 526
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Department of water and sanitation - RBIG grant due to the Municipality

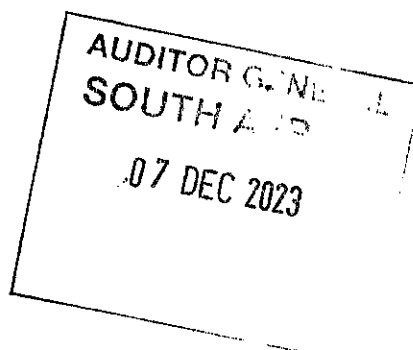
	25 061 627	39 635 256
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51. Related parties

Related party balances

Transfers to ANDA (Excluding VAT)	26 086 956	17 391 304
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The remuneration of Councillors, Directors and the Municipal Manager is disclosed in note 29.



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47. Deviation from supply chain management regulations

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

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

Incidents

Impractical to follow SCM procedures	4 762 081	1 139 229
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48. Awards to close family members of persons in the service of the state

1. The director from MUNSOFT, Ndiafhi Rerani is the spouse of Mary Rerani who is working for the Department of Justice.
2. The Mayor of Bojanala District Municipality, Magdalene Nondzaba, is the mother to the Senior Business Development Manager from Munsoft, Nkululeko Nondzaba.
3. The Director of IPM, Zana Madikizela, is the spouse of Babalo Madikizela the MEC of Public works.
4. Bongani Xolo is the brother of NR Xolo who is working at Alfred Nzo District Municipality as a Senior Manager: Corporate Services.

Suppliers paid after 30 days

During the year, the municipality did not always comply with the provisions of section 65(2)(e) of the MFMA which requires that all payments be reasonably made within 30 days. This is due to inappropriate documentation, invalid banking details and delays in processing of DWS claims. The total amount of such invoices not paid within 30 days is R6 010 507.

Expenditure for accommodation paid in advance

The municipality introduced cost containment measures and has not been using the services of a travel agency for accommodation, this led to some of the accommodation costs included in the reported total amount of R5 393 159 being paid before councillors or employees check in for accommodation, using quotations as opposed to invoices.

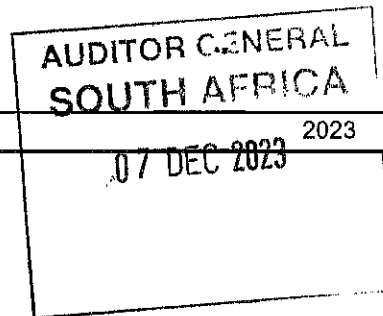
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43. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is the risk that the fair value of future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to Interest Rate Risk are cash equivalents, Investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consists mainly of fixed deposits investments, long term debtors, other debtors, short term Investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investments operations by only dealing with well established financial institutions of high credit standing. The credit exposures to any single counterpart is managed by setting percentage exposure limits, which are included in the municipality's investment policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents	1 110 225 379	966 972 216
Non Current Investments	10 838 087	10 134 587
Net Balance Exposed	1 121 063 466	977 106 803

Potential effect of changes in Interest rates on surplus and deficit to the year/period

	11 210 635	9 771 068
	(11 210 635)	(9 771 068)
	-	-

SENSITIVITY ANALYSIS:

Financial Assets

At 30 June 2023, if the weighted average interest rate had been 100 points basis higher, with all other variables held constant, the fair value impact on the financial performance would have been R 11.2 million with the opposite effect if the interest rate had been 100 points basis lower. The sensitivity analysis would be performed by dividing the total Investment Interest earned for the year by the average Interest rate earned to give the effect of a one percent movement in Interest rates.

Financial Liabilities

Changes in the interest rates as at 30 June 2023 would have had no impact on the statement of financial performance, as the municipality has no borrowings.

Price risk

Price Risk (Market Risk)

Other price risk is the risk that the fair value or future cashflows 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

The municipality is not exposed to any other price risk.

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43. Risk management (continued)

Liquidity risk

Liquidity risks 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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

30 June 2023	Payables within 1 year	Payables after 5 years	Payables after 5 years	Total
Payables from exchange transactions	159 531 913	10 955 000	-	170 486 913

30 June 2022	Payables within 1 year	Payable in 2 to 5 years	Payables after 5 years	Total
Payables from exchange transactions	241 355 274	10 080 000	-	251 435 274

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42. Prior-year errors (continued)

2022

	Note	As previously reported	Correction of error	Re-classification	Restated balance
Inventories		19 665 367	-	-	19 665 367
Receivables from non-exchange transactions		18 989 338	(1 661 327)	(7 704 963)	9 623 048
Receivables from exchange transactions		50 755 164	-	-	50 755 164
VAT receivable		42 145 165	(11 138 809)	-	31 006 356
Cash and cash equivalents		966 839 445	132 771	-	966 972 216
Property Plant and Equipment	5	060 845 911	(4 671 136)	-	5 056 174 775
Intangible assets		762 912	-	-	762 912
Heritage assets		131 100	-	-	131 100
Investment in controlled entities		100	-	-	100
Investments		10 134 587	-	-	10 134 587
Other Receivables (Deposits)		-	-	7 704 963	7 704 963
Operating Lease Liability		(223 529)	-	-	(223 529)
Provisions		(26 513 487)	-	-	(26 513 487)
Employee benefit obligations- current		(2 002 000)	-	-	(2 002 000)
Payables from exchange transactions		(245 796 164)	6 442 890	-	(239 353 274)
Payables from non-exchange transactions		(3 006 207)	-	-	(3 006 207)
Employee benefits obligation- non current		(10 080 000)	-	-	(10 080 000)
Accumulated surplus		(5 882 647 702)	9 747 862	-	(5 872 899 840)
		-	(1 147 749)	-	(1 147 749)

Statement of financial performance for the period ended 30 June 2022

2022

	Note	As previously reported	Correction of error	Re-classification	Restated balance
Service charges		(26 422 862)	-	-	(26 422 862)
Rental of facilities		(1 761)	-	-	(1 761)
Agency services		(263 388)	-	-	(263 388)
Other income		(4 274 783)	-	-	(4 274 783)
Interest received		(43 411 288)	-	-	(43 411 288)
Actuarial gains		(1 657 993)	-	-	(1 657 993)
Government grants		(1 354 327 106)	1 633 294	-	(1 352 693 812)
Employee related costs		271 618 377	(24 964)	-	271 593 413
Remuneration of councillors		10 499 130	-	-	10 499 130
Litigation expenditure		7 268 253	-	-	7 268 253
Depreciation		102 768 522	141 515	492 017	103 402 054
Amortisation		492 017	-	(492 017)	-
Finance costs		406 049	-	-	406 049
lease rentals		1 502 041	-	-	1 502 041
Debt impairment		6 489 668	-	-	6 489 668
Bulk purchases		10 265 495	34 784	-	10 300 279
Contracted services		150 960 975	(873 625)	88 545	150 175 895
Transfers and subsidies		18 010 818	-	-	18 010 818
Loss on disposal		641 947	-	-	641 947
General expenses		123 828 077	236 740	(88 545)	123 976 272
Surplus for the year		(725 607 812)	1 147 744	-	(724 460 068)

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Errors

Additional text

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39. Financial instruments disclosure (continued)		
Trade and other receivables from exchange transactions	50 755 164	- 50 755 164
Other receivables from non-exchange transactions	1 352 526	- 1 352 526
Other receivables - Deposits (Non-current)	7 704 963	- 7 704 963
Cash and cash equivalents	966 972 216	- 966 972 216
Unlisted Investment	-	100 100
	1 036 919 456	100 1 036 919 556

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	239 353 274	239 353 274
Other payable from non-exchange transactions	3 006 207	3 006 207
Operating lease liability	223 529	223 529
	242 583 010	242 583 010

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	674 190 576	516 982 409
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Total capital commitments

Already contracted for but not provided for	674 190 576	516 982 409
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Total commitments

Total commitments

Authorised capital expenditure	674 190 576	516 982 409
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities and government grants, and funds internally generated.

Operating leases - as lessee (Buildings)

Minimum lease payments due

- within one year	548 777	503 469
- in second to fifth year inclusive	1 119 746	1 668 523
	1 668 523	2 171 992

Operating lease payments represent rentals payable by the municipality for office properties in Matatiel and Cederville.

Rental expenses relating to operating leases

Minimum lease payments	-	-
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Figures in Rand	2023	2022
34. Debt impairment		
Debt impairment	13 404 022	6 489 668
35. General expenses		
Audit Committee	814 800	770 950
Publicity and Marketing Costs	4 008 083	2 589 887
Audit Fees	8 064 490	4 247 516
Bank charges	786 491	754 656
Cleaning	464 919	142 980
IT expenses	2 206 000	2 730 000
Consumables	10 798 505	7 824 535
Discount allowed	533 464	961 066
Insurance	3 161 138	4 421 202
Licence fees	16 843 120	11 466 675
Fuel and Oil	16 522 610	8 239 400
Printing and Stationery	1 985 186	326 414
Protective clothing	2 823 054	109 610
Subscriptions and Membership fees	3 683 048	3 431 467
Postage and Telecommunication costs	9 409 420	8 583 661
Travel - local	20 075 497	15 733 827
Travel - overseas	187 822	-
Electricity	23 506 876	29 189 044
Catering	4 388 766	1 899 817
Conferences and Seminars	2 750 746	1 408 818
Indigent Support	1 492 960	5 495 636
Accommodation	5 393 159	4 239 014
Other expenses	11 410 802	9 410 097
	151 310 956	123 976 272
36. Bulk purchases		
Water	13 312 408	10 300 279
37. Contracted services		
Consultants and Professional Services		
Business and Advisory	5 043 632	6 913 236
Infrastructure and Planning	5 272 732	422 898
Contractors		
Repairs and Maintenance	99 865 614	58 329 104
Security services	30 444 599	30 478 774
Agric Park, EPWP, Pit-toilets and other contractors	48 969 258	54 031 884
Total Consultants and Professional Services	10 316 364	7 336 134
Total Contractors	179 279 471	142 839 762
	189 595 835	150 175 896

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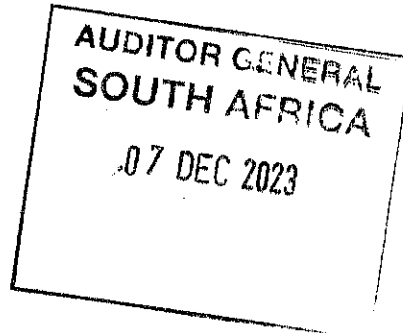
ALFRED NZO DISTRICT MUNICIPALITY

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Figures in Rand	2023	2022
29. Employee related costs		
Basic	181 523 916	184 600 002
Bonus	12 744 543	11 808 929
Medical aid - company contributions	14 811 040	11 768 518
UIF and Group life	1 629 422	1 520 403
SDL	2 250 950	2 119 663
Leave pay provision charge	8 047 617	1 654 940
Overtime payments	6 935 977	4 918 605
Long-service awards	2 683 000	2 534 999
Car allowance	20 987 299	17 666 623
Housing benefits and allowances	5 669 694	6 024 208
Shift allowance	2 879 549	3 209 407
Bargaining council	70 421	67 157
Defined contributions plans	26 190 890	20 985 634
Standby allowance	2 863 610	2 714 325
	289 287 928	271 593 413



Remuneration of Municipal Manager

Annual Remuneration	680 406	1 181 762
Car Allowance	79 381	137 872
Annual Bonuses	63 988	98 480
Pension, housing and medical allowances	317 522	551 489
UIF, SDL, Levy	15 293	19 442
Leave pay	363 614	-
	1 520 204	1 989 045

Remuneration of Chief Financial Officer

Annual Remuneration	703 881	1 067 764
Car Allowance	247 828	274 668
Annual Bonus	62 492	67 381
Pension, housing and medical expenses	163 316	-
UIF, SDL, Levy	11 948	17 772
Leave Pay	-	299 125
Housing Allowance	-	10 678
	1 189 465	1 737 388

Remuneration of Senior Manager - Corporate Services

Annual Remuneration	747 873	747 873
Car Allowance	249 291	249 291
Annual Bonus	62 323	10 387
Pension, housing and medical expenses	186 968	186 968
UIF, SDL, Levy	14 261	13 669
	1 260 716	1 208 188

Remuneration of Senior Manager - Community Services

Annual Remuneration	846 928	846 928
Car Allowance	141 155	141 155
Annual Bonus	70 577	70 577
Pension, housing and medical expenses	352 886	352 887
UIF, SDL, Levy	16 188	16 143
	1 427 734	1 427 690

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28. Government grants & subsidies (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	88 732 914
Current-year receipts	433 122 000	398 778 000
Conditions met - transferred to revenue	(433 122 000)	(487 510 914)
	-	-

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The grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

During the year the municipality received its draw downs as per National Treasury indicatives.

Rural Roads Asset Management Systems Grant

Current-year receipts	3 050 000	2 340 000
Conditions met - transferred to revenue	(3 050 000)	(2 340 000)
	-	-

The grant is used to assist district municipalities to set up road asset management systems and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

During the year, the municipality received its draw downs as per National Treasury indicatives.

Infrastructure Skills Development Grant

Current-year receipts	5 500 000	5 500 000
Conditions met - transferred to revenue	(5 500 000)	(5 500 000)
	-	-

The grant is used to recruit unemployed graduates into municipalities to be trained and professionally registered as per the requirements of the relevant statutory councils within the built environment.

During the year the municipality received its draw downs as per National Treasury indicatives.

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	(8 270 526)	-
Current-year receipts	37 935 754	68 791 356
Conditions met - transferred to revenue	(29 665 228)	(77 061 882)
	-	(8 270 526)

The grant is used to develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water and sanitation infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large bulk infrastructure serving numerous communities over a large area within a municipality.

To implement bulk infrastructure with a potential of addressing water conservation and water demand management (WC/WDM) projects to facilitate and contribute to the implementation of local (WC/WDM) projects that will directly impact on bulk infrastructure requirements.

Energy Efficiency and Demand Management

Current-year receipts	2 420 000	4 000 000
Conditions met - transferred to revenue	(2 420 000)	(4 000 000)

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27. Transfer and subsidies		
Other subsidies		
External Bursaries	584 778	619 514
Emergency Housing	14 304 895	-
Alfred Nzo Development Agency	26 086 956	17 391 304
	40 976 629	18 010 818

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19. Provisions

Reconciliation of Provisions - 2023

	Opening Balance	Additions	Total
Litigations	3 903 381	(340)	3 903 041
Leave Provision	22 610 106	6 447 044	29 057 150
	26 513 487	6 446 704	32 960 191

Reconciliation of Provisions - 2022

	Opening Balance	Additions	Reversed during the year	Total
Litigations	1 200 000	2 703 381	-	3 903 381
Leave Provision	25 137 671	-	(2 527 565)	22 610 106
	26 337 671	2 703 381	(2 527 565)	26 513 487

Litigations Provision

On the 26th of June 2019, the High court of South Africa, Mthatha, delivered a judgement against the municipality on a case between the municipality and Ms Z. Mgwebi. The two parties have not finalised the amount of the payout. The estimate was revised in the previous financial year.

Leave Provision

Staff leave accrue to staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

20. Payables from non exchange transactions

These are payments made by customers in advance of consumption.

Advance payments by customers	2 094 850	3 006 207
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21. Revenue

Service charges	25 298 157	26 422 862
Rental of facilities and equipment	14 971	1 761
Agency services	221 196	263 388
Other income	8 985 261	4 274 783
Actuarial Gains	1 373 754	1 657 993
Interest received from investment	83 345 961	43 411 288
Government grants & subsidies	1 278 297 932	1 352 693 814
	1 397 537 232	1 428 725 889

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Figures in Rand	2023	2022
16. Payables from exchange transactions		
Trade payables	12 199 484	19 428 164
Retentions	71 024 081	73 994 116
Accruals	68 402 431	137 865 393
Accrued bonus	5 975 646	5 661 460
Other Creditors	9 762	9 380
Accrued salaries	264 118	1 489 017
Third party payments	176 391	905 744
	158 051 913	239 353 274

Accruals and trade payables are normal business creditors, the distinction between the two is that trade payables are creditors where invoices were received before year end and Accruals invoices were received after year end but for services or goods received before year end.

17. Employee benefit obligations

Long Service Awards

Non-current liabilities	(10 955 000)	(10 080 000)
Current liabilities	(1 480 000)	(2 002 000)
	(12 435 000)	(12 082 000)

Long Service Awards

The municipality operates an unfunded defined plan for all its employees. Under the plan, a long service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr C. Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At the end of the year 492, (2022: 495) employees were eligible for long service awards

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	12 082 000	12 202 000
Current service costs	1 448 000	1 507 000
Interest cost	1 235 000	1 028 000
Benefits paid	(956 246)	(997 007)
Actuarial gain	(1 373 753)	(1 657 993)
Present value of the fund at the end of the year	12 435 001	12 082 000

Net expense recognised in the statement of financial performance

Current service cost	1 448 000	1 507 000
Interest cost	1 235 000	1 028 000
Actuarial (gains) losses	(1 373 753)	(1 657 993)
Net expense recognised in the statement of financial performance	1 309 247	877 007

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10. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	11 945 520	(4 296 500)	7 649 020	4 763 832	(4 000 920)	7 62 912

Reconciliation of intangible assets - 2023

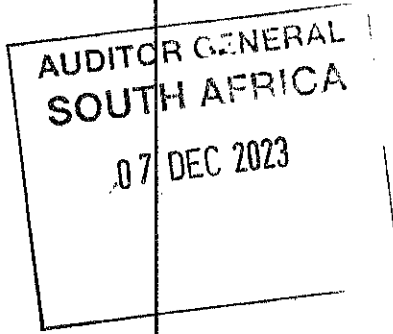
	Opening balance	Additions	Disposals	Amortisation	Total
Computer Software	762 912	7 181 688	(7 266)	(288 314)	7 649 020

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer Software	1 327 208	(72 279)	(492 017)	762 912

Pledged as security

There were no intangible assets pledged as security.



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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Derecognition	Transfers from AUC	Depreciation	Total
Land	465 000	-	-	-	-	465 000
Buildings	29 230 074	-	-	3 012 504	(1 804 877)	30 437 701
Infrastructure	2 167 379 316	18 695 744	-	90 074 620	(86 592 785)	2 189 556 895
Other property, plant and equipment	40 978 187	9 302 624	(1 103 447)	1 746 000	(10 306 666)	40 616 698
Assets Under Construction - Water	2 660 884 140	437 036 554	-	(90 074 620)	-	3 007 846 074
Assets Under Construction - Sanitation	142 673 611	5 201 737	-	-	-	147 875 348
Assets Under Construction - Building	4 157 592	3 560 503	-	(3 012 504)	-	4 705 591
Assets Under Construction - Silos	8 660 854	1 216 274	-	-	-	9 877 128
Specialised vehicles	1 746 000	-	-	(1 746 000)	-	-
	5 056 174 774	475 013 436	(1 103 447)	-	(98 704 328)	5 431 380 435

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Figures in Rand	2023	2022
8. VAT receivable		
VAT	25 061 627	31 006 356

Vat Receivable is a statutory receivable and disclosed in the note for statutory receivables, note 50.

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6. Receivables from Exchange Transactions (continued)		
Sundry		
>120 days	1 334 107	1 392 297
	-	-
	1 334 107	1 392 297
Summary of debtors by classification		
Consumers		
0-30 days	1 093 039	974 133
31- 60 days	1 080 138	876 295
61-90 days	1 133 060	881 576
91-120 days	1 125 350	823 776
>120 days	93 415 228	85 845 018
Subtotal	97 846 815	89 400 798
Less impairment allowance	(87 457 819)	(78 942 406)
	10 388 996	10 458 392
Industrial		
0-30 days	673 390	758 963
31-60 days	512 772	477 661
61-90 days	473 063	483 898
91-120 days	525 310	446 347
>120 days	34 365 541	30 977 804
	-	-
Subtotal	36 550 076	33 144 673
Less impairment allowance	(8 906 512)	(7 746 715)
	27 643 564	25 397 958
Churches		
0-30 days	41 331	24 145
31-60 days	52 242	15 135
61-90 days	52 343	15 792
91-120 days	54 143	15 847
> 120 days	2 665 773	2 252 961
Subtotal	2 865 832	2 323 880
Less impairment allowance	(217 490)	(2 147 552)
	2 648 342	176 328
National and Provincial Governments		
0-30 days	1 512 069	1 591 622
31-60 days	1 746 580	1 102 684
61-90 days	1 384 466	1 005 186
91-120 days	1 117 879	827 701
>120 days	32 377 240	20 978 226
Subtotal	38 138 234	25 505 419
Less impairment allowance	(17 102 022)	(11 408 656)
	21 036 212	14 096 763
Other- sundries		
>120 days	1 334 107	1 392 297
Subtotal	1 334 107	1 392 297

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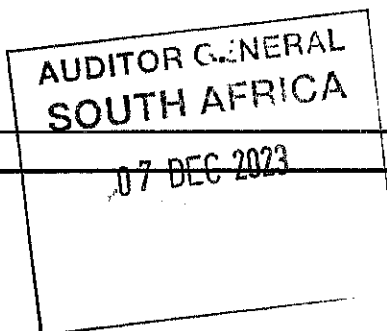
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4. Inventories		
Consumables stores	11 183 466	9 969 306
Water	3 644 310	9 696 060
	14 827 776	19 665 366
Water losses in cubic meters		
Opening balance (volumes)	197 561	197 692
Produced (volumes)	5 690 285	1 893 811
Less water sales (volumes)	(5 140 671)	(1 344 197)
Less Water Stock Closing balance (volumes)	(203 886)	(197 561)
Water Losses	543 288	549 745
Cost of producing one cubic meter	18	49
Water loss in Rands	9 779 184	26 937 506
Water loss as percentage of produced (%)	10	29
	-	-



The water losses are as a result of leakages on the network system, evaporation as well as illegal connections.

5. Receivables from non-exchange transactions

Staff Debtors	392 830	215 183
Other Debtors	139 872	9 407 867
	532 702	9 623 050

The other debtors are made up of the following

Prepaid Suppliers	-	268 294
Insurance Claim	-	688 995
Legal Costs - Recovered	-	180 054
Legal Cost - Alfred Nzo Development Agency	97 922	-
Admin charges - Utilities World	41 950	-
DWS	-	8 270 526
	139 872	9 407 869

Financial asset receivables included in receivables from non-exchange transactions above	532 702	1 352 526
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Statutory receivables general information

Transaction(s) arising from statute

Included in the receivables from non-exchange for the period ended 30 June 2022, is an amount of R 8 270 524, which was a statutory receivable. The amount was for claims made to the Department of Water and Sanitation, through Regional Bulk Infrastructure Grant (RBIG) and at 30 June 2022 was still outstanding. RBIG is a schedule 6B grant and claims are only made once work is done. Receivables from non-exchange are disclosed in note 50.

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange that were pledged as security.

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3. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

Revenue	Community Services	Economic Environmental Affairs	Water and Sanitation	Other Segments & Admin	Total
Revenue from non-exchange transactions	16 626 000	-	558 017 587	703 654 345	1 278 297 932
Revenue from exchange transactions	-	-	25 298 157	-	25 298 157
Actuarial gains	-	-	-	1 373 754	1 373 754
Agency Services	-	-	-	221 196	221 196
Rental of facilities and Equipment	-	-	-	14 971	14 971
Other Income	1 065 610	-	7 487 709	431 942	8 985 261
Total segment revenue	17 691 610	-	590 803 453	705 696 208	1 314 191 271
Interest revenue					83 345 961
Entity's revenue					1 397 537 232
Expenditure					
Salaries and wages	38 960 709	12 046 260	99 508 078	138 772 881	289 287 928
Remuneration of Councillors	-	-	-	11 306 562	11 306 562
Legal Costs	-	-	-	7 271 078	7 271 078
Depreciation	-	-	86 592 785	12 399 858	98 992 643
Lease rentals from Operating Lease	-	-	-	1 616 800	1 616 800
Debt impairment	-	-	13 404 022	-	13 404 022
Bulk Purchases	-	-	13 312 408	-	13 312 408
Contracted Services	2 465 540	30 642 030	79 407 362	77 080 903	189 595 835
Transfers and Subsidies	14 304 895	26 086 956	-	584 778	40 976 629
General Expenses	5 766 807	2 629 757	26 342 963	116 571 429	151 310 956
Total segment expenditure	61 497 951	71 405 003	318 567 618	365 604 289	817 074 861
Total segmental surplus/(deficit)	(43 806 341)	(71 405 003)	272 235 835	340 091 919	497 116 410

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Accounting Policies

1.25 Events after reporting date (continued)

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

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.



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Accounting Policies

1.21 Irregular expenditure (continued)

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

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

Irregular Expenditure is disclosed in terms of Circular 68 from National Treasury.

1.22 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

The geographical information is not available to be able to report segments per area.

1.23 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

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

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

1.18 Revenue from non-exchange transactions

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

Recognition

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

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

Measurement

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

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

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

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

1.19 Unauthorised expenditure

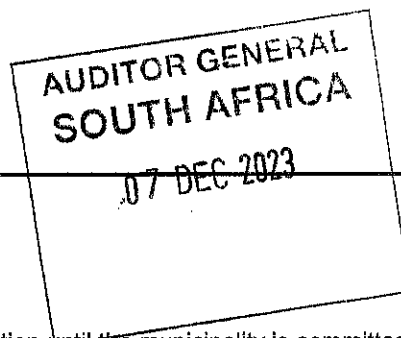
Unauthorised expenditure means:

- 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.

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Accounting Policies

1.15 Provisions and Contingencies (continued)

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

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

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

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

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

1.16 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.

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1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post retirement obligations

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

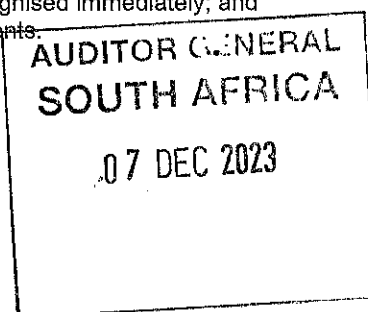
The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.



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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

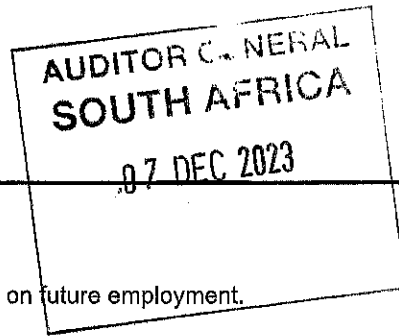
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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1.14 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Post-employment benefits

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

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

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

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Accounting Policies

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

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

Useful life is either:

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

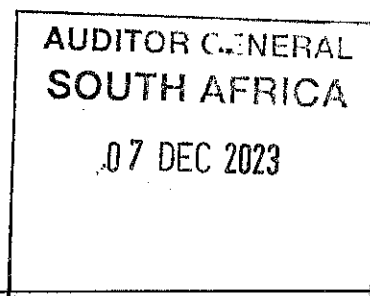
The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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

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:



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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- 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.

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1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

Water Inventory

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1.9 Financial instruments (continued)

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost. If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is unrecognised or impaired or through the amortisation process.

Impairment and uncollectability of financial assets

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

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 assets carrying amount and the present value of the estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial Assets measured at costs

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

Derecognition

Financial Assets

The entity derecognises financial assets using trade date accounting

The entity derecognises 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 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 practical ability to sell the asset in its entirety to an un related 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 in the transfer

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1.9 Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.8 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 37).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

ALFRED NZO DISTRICT MUNICIPALITY

(Registration number DC44)

Annual Financial Statements for the year ended 30 June 2023

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Accounting Policies

1.6 Property, plant and equipment (continued)

Specialised vehicles	Straight-line	5 - 15
Infrastructure - Roads	Straight-line	5 - 15
Infrastructure - Sanitation	Straight-line	2 - 85
Infrastructure - Water	Straight-line	2 - 100
Bins and containers	Straight-line	5 - 10
Computer equipment	Straight-line	2 - 10
Emergency equipment	Straight-line	2 - 15
Park homes	Straight-line	20 - 40

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements under note 37.

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

1.7 Intangible assets

An asset is identifiable if it either:

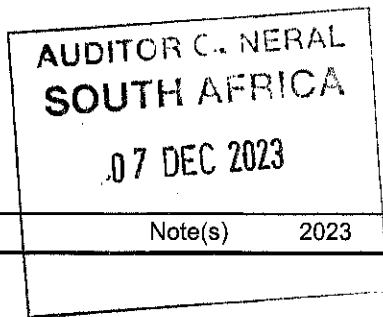
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements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

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.

ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023



Accounting Policies

Figures in Rand

Note(s)

2023

2022

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 48 Changes in accounting policy.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Useful lives of waste and water network and other assets

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

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.

ALFRED NZO DISTRICT MUNICIPALITY

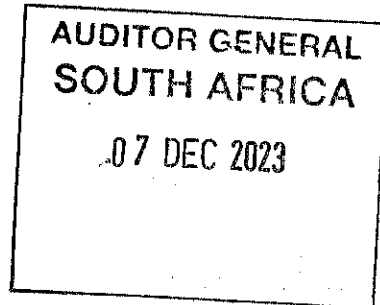
(Registration number DC44)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6 033 008 072	53 937 904	6 086 945 976	6 451 003 355	364 057 379	



ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

J - Depreciation and amortisation:

The variance is due to reassessment of useful lives.

K - Lease rentals on operating lease:

This is due to the fact that most of the time the printers were not functioning well. Lease rentals on operating lease is budgeted under Other expenses in terms of the budget and separated on Annual Financial Statements in compliance with GRAP.

L - Debt impairment:

The underspending is due to the increase in the amount of old debt that was not paid at year-end.

M - Bulk purchases:

The variance is insignificant.

N - Contracted services:

Included in the amount of contracted services are repairs and maintenance costs.

O - Transfers and subsidies:

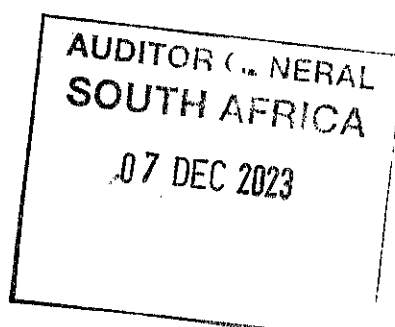
The variance is VAT as the actual amount reported is exclusive of VAT.

P - General expenses:

General expenses are within the budgeted amount.

Q - Rental of facilities and equipment:

The hiring of the facilities was less than what management anticipated.



ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	597 427 484	53 445 904	650 873 388	579 352 340	(71 521 048)	

Reconciliation

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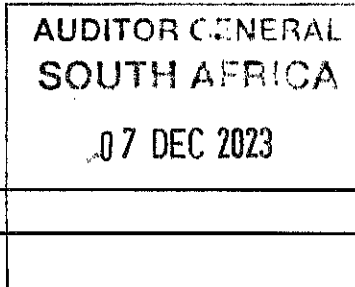
ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service charges		13 122 790	23 935 614
Government Grants and Subsidies		1 292 404 575	1 263 960 900
Interest income		68 935 817	32 954 204
Other receipts		9 221 427	4 549 503
		1 383 684 609	1 325 400 221
Payments			
Employee costs		(283 011 195)	(269 934 183)
Councillors remuneration		(11 306 562)	(10 499 130)
Suppliers		(422 953 518)	(206 518 154)
Finance costs		-	(406 049)
Grants and subsidies		(40 976 629)	(18 010 818)
		(758 247 904)	(505 368 334)
Total receipts		1 383 684 609	1 325 400 221
Total payments		(758 247 904)	(505 368 334)
Net cash flows from operating activities	38	625 436 705	820 031 887
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(475 013 436)	(621 199 219)
Proceeds from sale of property, plant and equipment	9	580	688 994
Purchase of other intangible assets	10	(7 181 688)	-
Staff loan repayments	12	11 001	12 000
Increase in long term receivables	12	-	(7 704 963)
Net cash flows from investing activities		(482 183 543)	(628 203 188)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		143 253 162	191 828 699
Cash and cash equivalents at the beginning of the year		966 972 216	775 143 517
Cash and cash equivalents at the end of the year	7	1 110 225 378	966 972 216



The accounting policies on pages 17 to 47 and the notes on pages 48 to 86 form an integral part of the annual financial statements.

* See Note 48 & 42

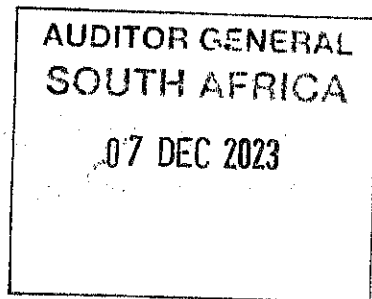
ALFRED NZO DISTRICT MUNICIPALITY

(Registration number DC44)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	25 298 157	26 422 862
Rental of facilities and equipment	23	14 971	1 761
Agency services	24	221 196	263 388
Other income	25	8 985 261	4 274 783
Actuarial gains		1 373 754	1 657 993
Interest Income	26	83 345 961	43 411 288
Total revenue from exchange transactions		119 239 300	76 032 075
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	28	1 278 297 932	1 352 693 814
		119 239 300	76 032 075
		1 278 297 932	1 352 693 814
Total revenue	21	1 397 537 232	1 428 725 889
Expenditure			
Employee related costs	29	(289 287 928)	(271 593 413)
Remuneration of councillors	30	(11 306 562)	(10 499 131)
Legal Costs	31	(7 271 078)	(7 268 253)
Depreciation and amortisation	32	(98 992 541)	(103 402 054)
Finance costs	33	-	(406 049)
Lease rentals on operating lease		(1 616 800)	(1 502 041)
Debt Impairment	34	(13 404 022)	(6 489 668)
Bulk purchases	36	(13 312 408)	(10 300 279)
Contracted services	37	(189 595 835)	(150 175 896)
Transfers and Subsidies	27	(40 976 629)	(18 010 818)
General Expenses	35	(151 310 956)	(123 976 272)
Total expenditure		(817 074 759)	(703 623 874)
Total revenue		1 397 537 232	1 428 725 889
Total expenditure		(817 074 759)	(703 623 874)
Operating surplus/deficit		-	-
Surplus before taxation		580 462 473	725 102 015
Taxation		-	-
Surplus for the year from continuing operations		580 462 473	725 102 015
Loss on disposal of assets		(1 110 133)	(641 947)
Surplus for the year		579 352 340	724 460 068



* See Note 48 & 42

ALFRED NZO DISTRICT MUNICIPALITY

(Registration number DC44)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 579 352 340 (2022: surplus R 724 460 068)

2. 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.

3. Subsequent events

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

4. Corporate governance

General

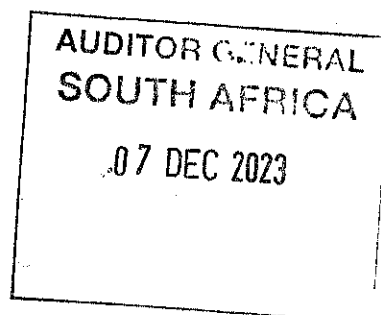
Management is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, management supports the highest standards of corporate governance and the ongoing development of best practice.

5. Interest in controlled entities

Details of the municipality's investment in controlled entities are set out in note 11.

The annual financial statements set out on pages 6 to 85, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed by:

Accounting Officer
Zamile H. Sikhundla



ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the ANDM Municipal Council:

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Statement of Changes in Net Assets for the year ended 30 June 2023	8
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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
ANDM	Alfred Nzo District Municipality
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant

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ALFRED NZO DISTRICT MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2023

General Information

Mayoral committee

Executive Mayor

V. Mhlelebana

N. Mshuqwana (Deputy Executive Mayor)

S. Mehloimakulu (Council Speaker) was appointed on the 12th July 2022

N. Ndabeni (Whip of the Council)

S. Sello (MPAC Chairperson) was appointed on the 12th July 2022

M. Khuzwayo (MMC: IDMS)

B. Qwayede (MMC: LED/PED)

S. Mnukwa (MMC: BTO)

N. Msokana (MMC: CPS)

E. Diko (MMC: IGR)

M. Mbedla (MMC: CDS)

N. Nqoko (MMC: Mayoral Affairs)

Councillors

A. Guqaza

B. Sobhayi

E. Voko

F. Mbeyelwa-Befu

K. Sephuhle

L. Nomaqhiza

M. Gwayi

M. Magadla

M. Ndovela

M. Qumba (Resigned 30 April 2023)

M. Smith

M. Tuku

N. Bongwana

N. Daniel

N. Langasiki

N. Mantangayi

N. Mantshongo

N. Mpokolo

N. Ncekana

N. Nomnganga

N. Sobazile

N. Sonyabashe

P. Ndabeni

R.T. Nkomo-Khwela (Appointed 01 May 2023)

S. Ntabeni

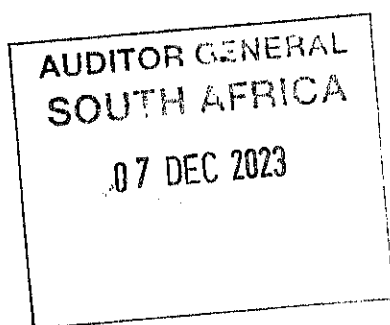
S. Ntshobane

S. Sophaqa

T. Sheane

W. Leballo

Z. Njomi



Accounting Officer

Zamile H. Sikhundla

Chief Financial Officer (CFO)

U.P. Mahlasela

Registered office

1400 NTSIZWA STREET