Mopani District Municipality
(Registration number DC33)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local Government
Nature of business and principal activities	Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities, Bulk supply of water that affects a significant proportion of municipalities in the district Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district. Municipal Health Services serving the area of the district municipality as a whole Fire Fighting services serving the area of the district municipality as a whole. Disaster Management services Provision of the water and sanitation services
Accounting Officer	Mr T.J Mogano
Grading of local authority	4
Chief Finance Officer (CFO)	Ms SP. Mathevula
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Bankers	First National Bank
Auditors	Auditor General - South Africa

General Information

Attorneys	Selokela Mashola
	Verveen Attorneys
	Nyoffu Attorneys
	Mphoke Magane Attorneys
	M & M Maiwashe Attorneys
	T C Pilusa Attorneys
	Nkgapele & Nkgapele Attorneys
	Moloko Phooko Attorneys
	Machaka Inc
	Phungo Incorporated
	Ramusi Attorneys
	Kovani Machete Attorneys
	Mello Attorneys
	Mafa & Associates
	Ndobela & Associates
	Phuthi Manamela Inc
	M T Matsau Inc
	Lebea & Associates
	Mvundlela & Associates
	Ngoako Seabela Incorporated
	Mohale Incorporated
	Modjadji Raphesu Inc Attorneys
	Mmakola Matsimela Attorneys
	Maboku Mangena Attorneys
	TJ Machete Attorneys
	SC Mdhluli Inc Attorneys
	Buthane Rasemana Attorneys
	Michael Raphela Attorneys
	Talane & Associates
	P K Legodi Attorneys
	Kgatla Inc
	Mabuza Attorneys
	Phambane Mokone Attorneys
	Raphela Attorneys
	Mahumani Inc
	M M Maiwashe Attorneys
	Mahowa Attorneys
	Machaba Inc
Audit Committee	Mr Modipane T.C CA(SA) Chairperson
	Ms Mabuza J.M
	Mr Lekoloane T.A
	Mr Baloyi T.N
Executive Mayor	Cllr. PJ. Shayi
	Cllr. NM. Maswanganyi (Speaker)
	Cllr. M. Lewele (Chief Whip)
Mayoral committee	Cllr. NR. Khandlhela
	Cllr. DJ. Mmetle Ramohlola (Resigned June 2024)
	Cllr. MH. Sefufi

General Information

	Cllr. NN. Baloyi
	Cllr. ML. Maloko
	Cllr. MS. Magomane
	Cllr. MG. Mangena
	Cllr. SL. Mohlala
	Cllr. MD. Makhananisa
	Cllr. BA. Shibambu
Other councillors	Cllr. CM. Ramathoka
	Cllr. FM. Moroatshehla
	Cllr. MMA. Mathebula
	Cllr. TJ. Senyolo
	Cllr. RN. Sekgobela
	Cllr. AT. Rabothata
	Cllr. BT. Mabilo
	Cllr. E. Hlungwani
	Cllr. GE. Kobane (Resigned May 2024)
	Cllr. HD. Lebeya
	Cllr. MM. Mukhabele
	Cllr. MP. Matlou
	Cllr. NH. Tshimbana
	Cllr. NJ. Mbhalati
	Cllr. PJ. Mampeule
	Cllr. PS. Mothomogolo (Chairperson of MPAC- From June 2024)
	Cllr. RT. Mavundza
	Cllr. SP. Letebele
	Cllr. MJ. Rakgoale
	Cllr. MN. Madike
	Cllr. MW. Mohale
	Cllr. S. Mavasa
	Cllr. SS. Mathebula
	Cllr. C. Stoltz
	Cllr. DG. Mkhabela
	Cllr. ML. Ramalepe
	Cllr. SP. Mashumu
	Cllr. WM. Maake
	Cllr. J. Mashele
	Cllr. MC. Morwatshehla
	Cllr. MS. Baloyi
	Cllr. SB. Ramoshaba
	Cllr. SM. Shai
	Cllr. MD. Selaelo
	Cllr. TA. Mabaso
	Cllr. Z. Ndhlovu
	Cllr. MG. Letsoalo (Resigned)
	Cllr. D. Malemela (Resigned)
	Cllr. IN. Shivambo
	Cllr. MS. Mangena
	Cllr. Mabandla Patrick. Hlungwani (Resigned August 2023)

Index

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

Index

Abbreviations used:

SARS	South African Revenue Services
EPWP	Expanded Public Works Programme
CPI	Consumer Price Index
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
PEMA	Post-Employment Medical Aid
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
MPAC	Municipal Public Accounts Committee
VAT	Value Added Taxation
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
MDM	Mopani District Municipality
LSA	Long Service Award
ASB	Accounting Standards Board

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 2025 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 annual financial statements set out on pages 7 to 115, which have been prepared on the going concern basis, were approved by the accounting officer on 29 November 2024 and were signed on its behalf by:

Mr T.J Mogano
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality operates in the Mopani district in South Africa and is involved in the following activities:

- Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities,
- Bulk supply of water that affects a significant proportion of municipalities in the district,
- Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district,
- Solid waste disposal sites serving the area of the district municipality as a whole,
- Municipal Health Services serving the area of the district municipality as a whole,
- Fire Fighting services serving the area of the district municipality as a whole,
- The establishment, conduct and control of cemeteries and crematoria serving the area of the district municipality as a whole,
- Solid waste disposal sites serving the area of the district municipality as a whole,
- Disaster Management services, and
- Provision of the water and sanitation services.

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

Net surplus of the municipality was R 721 646 912 (2023: surplus R 501 815 334).

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will be met on time. Contingent liabilities will be managed accordingly.

The municipality continues to receive its equitable share in line with Constitutional mandate and the Division of Revenue Act.

As at 30 June 2023, the municipality's current liabilities exceed the current assets by R(882 477 350) (2023 : R(743 311 626)). However, the total assets of the municipality exceed total liabilities. The fact on its own does not bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated:

- The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The Local Municipalities are appointed as service providers and the District Municipality is the Water Service Authority;
- The litigation against the municipality to the value of R155 398 859 (2023: R174 259 418) provided continuity risk for the district municipality. However, management continues to monitor the risk by ensuring compliance.

Based on the above assessment done, the District Municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2024 under going concern assumptions. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

Accounting Officer's Report

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr T.J Mogano	South Africa

6. Bankers

The District Municipality banks with First National Bank.

7. Auditors

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

8. Accounting Officer’s interest in contracts

The Accounting Officer declares that he has no interest whatsoever in the contracts of the Municiplality.

Statement of Financial Position as at 30 June 2024

	Notes	2024 R	2023 Restated* R
Assets			
Current Assets			
Inventories	3	31 626 664	32 737 425
Operating lease asset	11	699 568	699 568
Receivables from exchange transactions	4	61 862 319	100 338 099
Receivables from non-exchange transactions	5	126 862 075	52 005 619
VAT receivable	6	375 750 623	305 809 653
Cash and cash equivalents	7	180 979 567	18 477 337
		777 780 816	**510 067 701**
Non-Current Assets			
Property, plant and equipment	8	9 592 384 195	8 923 016 539
Intangible assets	9	5 336 378	2 804 853
Heritage assets	10	432 000	432 000
Receivables from exchange transactions	4	37 025 622	46 400 000
Operating lease asset	11	1 923 811	2 623 379
		9 637 102 006	**8 975 276 771**
Total Assets		**10 414 882 822**	**9 485 344 472**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 284 017 126	885 318 268
VAT payable	13	287 366 701	250 903 140
Consumer deposits	14	4 039 483	4 091 085
Employee benefit obligation	15	9 930 583	6 130 359
Unspent conditional grants and receipts	17	74 904 273	106 936 475
		1 660 258 166	**1 253 379 327**
Non-Current Liabilities			
Employee benefit obligation	15	97 688 557	79 012 605
Payables from exchange transactions	12	616 577 955	834 241 290
		714 266 512	**913 253 895**
Total Liabilities		**2 374 524 678**	**2 166 633 222**
Net Assets		**8 040 358 144**	**7 318 711 250**
Accumulated surplus		8 040 358 144	7 318 711 250
Total Net Assets		**8 040 358 144**	**7 318 711 250**

* See Note 48

Statement of Financial Performance

	Notes	2024 R	2023 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	219 685 312	266 204 237
Interest charged on overdue consumer accounts	20	112 147 776	94 451 604
Other income	21	2 746 943	11 282 654
Interest received - investment	22	27 775 043	11 463 425
Total revenue from exchange transactions		**362 355 074**	**383 401 920**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	23	2 347 327 558	1 944 364 604
Revenue from debt forgiveness	24	9 952 251	-
Public contributions and donations	25	-	58 700
Services in kind revenue	26	3 159 924	2 953 200
Other non-exchange income	27	748 807	658 272
Total revenue from non-exchange transactions		**2 361 188 540**	**1 948 034 776**
Total revenue		**2 723 543 614**	**2 331 436 696**
Expenditure			
Employee related costs	28	(520 952 477)	(488 410 164)
Remuneration of councillors	29	(16 181 245)	(15 890 084)
Depreciation and amortisation	30	(299 587 945)	(238 808 655)
Finance costs	31	(73 830 747)	(50 876 844)
Lease rentals on operating lease	32	(699 568)	(699 568)
Debt Impairment	33	(297 410 727)	(349 697 119)
Inventory consumed and bulk purchases	34	(266 552 831)	(195 462 387)
Contracted services	35	(114 636 548)	(99 945 682)
Transfers and Subsidies	36	-	(1 143 000)
Notional expenses	26	(3 159 924)	(2 953 200)
Operating expenses	37	(206 687 094)	(180 972 904)
Consulting and professional fees	38	(81 085 153)	(68 982 957)
Repairs and maintenance	39	(93 945 033)	(61 562 626)
VIP Toilets	40	(5 024 572)	(66 339 304)
Total expenditure		**(1 979 753 864)**	**(1 821 744 494)**
Operating surplus		**743 789 750**	**509 692 202**
Loss on disposal of assets and liabilities	42	(58 575)	(1 435 969)
Actuarial gains	15	372 796	10 521 517
Impairment and write off - assets	41	(22 100 004)	(16 962 416)
Inventories losses/write-downs	3	(357 055)	-
		(22 142 838)	**(7 876 868)**
Surplus for the year		**721 646 912**	**501 815 334**

* See Note 48

Statement of Changes in Net Assets

	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	7 013 537 095	7 013 537 095
Adjustments		
Prior year adjustments 48	(196 641 179)	(196 641 179)
Balance at 01 July 2022 as restated*	**6 816 895 916**	**6 816 895 916**
Changes in net assets		
Surplus for the year	501 815 334	501 815 334
Total changes	501 815 334	501 815 334
Restated* Balance at 01 July 2023	**7 318 711 232**	**7 318 711 232**
Changes in net assets		
Surplus for the year	721 646 912	721 646 912
Total changes	721 646 912	721 646 912
Balance at 30 June 2024	**8 040 358 144**	**8 040 358 144**

* See Note 48

Cash Flow Statement

	Note(s)	2024 R	2023 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		120 476 375	108 142 743
Grants		2 241 187 710	1 853 240 739
Interest income		27 775 043	11 463 425
VAT refunds		169 395 862	97 623 044
Other receipts		3 448 853	12 882 482
		2 562 283 843	2 083 352 433
Payments			
Employee costs		(530 294 615)	(517 248 910)
Suppliers		(946 232 720)	(927 040 085)
Finance costs		(149 032)	(3 331 924)
		(1 476 676 367)	(1 447 620 919)
Net cash flows from operating activities	43	**1 085 607 476**	**635 731 514**
Cash flows from investing activities			
Purchase of property, plant and equipment		(919 796 024)	(646 733 154)
Proceeds from sale of property, plant and equipment		-	360
Purchase of other intangible assets	9	(3 309 308)	-
Net cash flows from investing activities		**(923 105 332)**	**(646 732 794)**
Cash flows from financing activities			
Finance lease payments		-	(306 400)
Net increase/(decrease) in cash and cash equivalents		**162 502 144**	**(11 307 680)**
Cash and cash equivalents at the beginning of the year		18 477 337	29 785 017
Cash and cash equivalents at the end of the year	7	**180 979 481**	**18 477 337**

* See Note 48

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
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	325 753 000	-	**325 753 000**	219 685 312	**(106 067 688)**	**[BC1]**
Interest charged on overdue consumer	79 281 000	-	**79 281 000**	112 147 776	**32 866 776**	**[BC3]**
Other income	3 565 000	550 000	**4 115 000**	2 746 943	**(1 368 057)**	**[BC2]**
Investment revenue	4 000 000	-	**4 000 000**	27 775 043	**23 775 043**	**[BC3]**
Total revenue from exchange transactions	**412 599 000**	**550 000**	**413 149 000**	**362 355 074**	**(50 793 926)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	1 828 306 000	(79 153 000)	**1 749 153 000**	2 347 327 558	**598 174 558**	**[BC4]**
Levies	-	-	**-**	9 952 251	**9 952 251**	**[BC13]**
Services in kind revenue	-	-	**-**	3 159 924	**3 159 924**	**[BC14]**
Other non-exchange income	-	-	**-**	748 807	**748 807**	
Total revenue from non-exchange transactions	**1 828 306 000**	**(79 153 000)**	**1 749 153 000**	**2 361 188 540**	**612 035 540**	
Total revenue	**2 240 905 000**	**(78 603 000)**	**2 162 302 000**	**2 723 543 614**	**561 241 614**	
Expenditure						
Employee related costs	(473 007 000)	(55 430 000)	**(528 437 000)**	(520 952 477)	**7 484 523**	**[BC5]**
Remuneration of councillors	(12 468 000)	(7 645 000)	**(20 113 000)**	(16 181 245)	**3 931 755**	**[BC6]**
Depreciation and amortisation	(450 000 000)	156 652 000	**(293 348 000)**	(299 587 945)	**(6 239 945)**	**[BC7]**
Impairment loss/ Reversal of impairments	-	-	**-**	(22 100 004)	**(22 100 004)**	**[BC16]**
Finance costs	(54 828 000)	26 850 000	**(27 978 000)**	(73 830 747)	**(45 852 747)**	**[BC8]**
Lease rentals on operating lease	-	-	**-**	(699 568)	**(699 568)**	
Debt Impairment	(63 714 000)	-	**(63 714 000)**	(297 410 727)	**(233 696 727)**	**[BC9]**
Inventory consumed and bulk purchases	(409 898 000)	2 350 000	**(407 548 000)**	(266 552 831)	**140 995 169**	**[BC10]**
Contracted Services	(115 544 000)	(69 939 000)	**(185 483 000)**	(114 636 548)	**70 846 452**	**[BC11]**
Notional expenses	-	-	**-**	(3 159 924)	**(3 159 924)**	**[BC17]**
Operating expenses	(109 946 000)	(57 452 000)	**(167 398 000)**	(386 741 852)	**(219 343 852)**	**[BC12]**
Total expenditure	**(1 689 405 000)**	**(4 614 000)**	**(1 694 019 000)**	**(2 001 853 868)**	**(307 834 868)**	
Operating surplus	**551 500 000**	**(83 217 000)**	**468 283 000**	**721 689 746**	**253 406 746**	
Loss on disposal of assets and liabilities	-	-	**-**	(58 575)	**(58 575)**	
Actuarial gains/losses	-	-	**-**	372 796	**372 796**	
Inventories losses/write-downs	-	-	**-**	(357 055)	**(357 055)**	
	-	**-**	**-**	**(42 834)**	**(42 834)**	
Surplus	**551 500 000**	**(83 217 000)**	**468 283 000**	**721 646 912**	**253 363 912**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	40 439 000	2 350 000	**42 789 000**	31 626 664	**(11 162 336)**	**[BC18]**
Operating lease asset	-	-	**-**	699 568	**699 568**	
Receivables from exchange transactions	1 674 386 000	(171 281 000)	**1 503 105 000**	61 862 319	**(1 441 242 681)**	**[BC19]**
Receivables from non-exchange transactions	2 501 000	23 973 000	**26 474 000**	126 862 075	**100 388 075**	**[BC20]**
VAT receivable	226 870 000	-	**226 870 000**	375 750 623	**148 880 623**	**[BC15]**
Other current assets	8 183 000	-	**8 183 000**	-	**(8 183 000)**	**[BC22]**
Cash and cash equivalents	726 245 000	(38 596 000)	**687 649 000**	180 979 567	**(506 669 433)**	**[BC23]**
	2 678 624 000	**(183 554 000)**	**2 495 070 000**	**777 780 816**	**(1 717 289 184)**	
Non-Current Assets						
Property, plant and equipment	8 739 266 000	180 444 000	**8 919 710 000**	9 592 384 195	**672 674 195**	**[BC24]**
Intangible assets	4 792 000	(1 150 000)	**3 642 000**	5 336 378	**1 694 378**	**[BC25]**
Heritage assets	432 000	-	**432 000**	432 000	**-**	
Receivables from exchange transactions	-	-	**-**	37 025 622	**37 025 622**	**[BC19]**
Operating lease asset	4 025 000	-	**4 025 000**	1 923 811	**(2 101 189)**	**[BC27]**
	8 748 515 000	**179 294 000**	**8 927 809 000**	**9 637 102 006**	**709 293 006**	
Total Assets	**11 427 139 000**	**(4 260 000)**	**11 422 879 000**	**10 414 882 822**	**(1 007 996 178)**	
Liabilities						
Current Liabilities						
Finance lease obligation	1 886 203 000	-	**1 886 203 000**	-	**(1 886 203 000)**	**[BC28]**
Payables from exchange transactions	837 773 000	36 185 000	**873 958 000**	1 284 017 126	**410 059 126**	
VAT payable	-	-	**-**	287 366 701	**287 366 701**	**[BC15]**
Consumer deposits	3 867 000	-	**3 867 000**	4 039 483	**172 483**	
Employee benefit obligation	-	-	**-**	9 930 583	**9 930 583**	**[BC30]**
Unspent conditional grants and receipts	82 205 000	42 134 000	**124 339 000**	74 904 273	**(49 434 727)**	**[BC31]**
Landfill site provision	60 442 000	640 000	**61 082 000**	-	**(61 082 000)**	**[BC26]**
	2 870 490 000	**78 959 000**	**2 949 449 000**	**1 660 258 166**	**(1 289 190 834)**	
Non-Current Liabilities						
Finance lease obligation	636 402 000	-	**636 402 000**	-	**(636 402 000)**	**[BC28]**
Employee benefit obligation	58 625 000	-	**58 625 000**	97 688 557	**39 063 557**	**[BC30]**
Landfill site provision	33 527 000	-	**33 527 000**	-	**(33 527 000)**	**[BC26]**
Payables from exchange transactions	-	-	**-**	616 577 955	**616 577 955**	**[BC29]**
	728 554 000	**-**	**728 554 000**	**714 266 512**	**(14 287 488)**	
Total Liabilities	**3 599 044 000**	**78 959 000**	**3 678 003 000**	**2 374 524 678**	**(1 303 478 322)**	
Net Assets	**7 828 095 000**	**(83 219 000)**	**7 744 876 000**	**8 040 358 144**	**295 482 144**	
Net Assets						
Reserves						
Accumulated surplus	7 828 095 000	(83 219 000)	**7 744 876 000**	8 040 358 144	**295 482 144**	**[BC21]**

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
	R	R	R	R	R	

[BC1] The 2023/24 projections were based on the tariffs as approved by the District in consultation with the locals. All municipalities basic tariff has been increased by 5%.

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
	R	R	R	R	R	

[BC2] This is due to high volume of tender documents sold and the collection of revenue on other services like fire services and EHP.

[BC3] The positive cashflow position throughout financial year with high interest received more than anticipated.

[BC4] The variance is due to WSIG 6B and RBIG Mametja Sekororo grants.

[BC5] The variance is due to reduction of overtime to essential service workers.

[BC6] The council remuneration was adjusted during budget adjustment as was not accurately budgeted.

[BC7] The variance is due to under budgeting of depreciation and amortisation.

[BC8] Delaying in paying LNW invoices due to lack of new repayment agreement.

[BC9] The variance is due to increased rate of non-payment by consumers.

[BC10/11/12] The variance is due to reclassification among operating expenses.

[BC13] The variance is due to revenue from debt forgiveness that was not budgeted for.

[BC14] The variance is due to services in kind revenue that was not budgeted for.

[BC15] The variance is due to lower service charges than budgeted.

[BC16] The variance is due to impairment loss which was not budgeted for.

[BC17] The variance is due to notional expenses that were not budgeted for.

[BC18] The variance is due high consumption of inventory, leading lower inventory balances at year end.

[BC19] The variance is due to lower consumption than budgeted, leading to lower service charges.

[BC20] The variance is due to WSIG and Mametja Sekororo grants.

[BC21] The variance is due to income from grants that was higher than budgeted for.

[BC22]

[BC23] The variance is due to more payments made.

[BC24] The variance is due to work in progress and additions to assets.

[BC25] The variance is due to additions to the intangible assets.

[BC26] The variance is due to landfill site that was budgeted for and was not incurred.

[BC27] The variance is due to lesser amount of operating leases paid in advance.

[BC28] The entity did not have finance leases, hence the variance.

[BC29] The variance is due higher operational expenses.

[BC30] The variance is due to employee benefit expenses that were higher than budgeted.

[BC31] The variance is due WSIG grant.

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
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	349 726 000	(23 973 000)	**325 753 000**	120 476 375	**(205 276 625)**	
Grants	1 827 706 000	-	**1 827 706 000**	2 241 187 710	**413 481 710**	
Interest income	4 000 000	-	**4 000 000**	27 775 043	**23 775 043**	
Other receipts	4 100 000	92 550 000	**96 650 000**	3 448 853	**(93 201 147)**	
VAT refunds	-	-	**-**	169 395 862	**169 395 862**	
	2 185 532 000	**68 577 000**	**2 254 109 000**	**2 562 283 843**	**308 174 843**	
Payments						
Suppliers and employees	(1 181 032 000)	(164 220 000)	**(1 345 252 000)**	(1 476 527 335)	**(131 275 335)**	
Finance costs	-	(1 128 000)	**(1 128 000)**	(149 032)	**978 968**	
	(1 181 032 000)	**(165 348 000)**	**(1 346 380 000)**	**(1 476 676 367)**	**(130 296 367)**	
Net cash flows from operating activities	**1 004 500 000**	**(96 771 000)**	**907 729 000**	**1 085 607 476**	**177 878 476**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(447 409 000)	(31 067 000)	**(478 476 000)**	(919 796 024)	**(441 320 024)**	
Purchase of other intangible assets	-	-	**-**	(3 309 308)	**(3 309 308)**	
Net cash flows from investing activities	**(447 409 000)**	**(31 067 000)**	**(478 476 000)**	**(923 105 332)**	**(444 629 332)**	
Net increase/(decrease) in cash and cash equivalents	557 091 000	(127 838 000)	**429 253 000**	162 502 144	**(266 750 856)**	
Cash and cash equivalents at the beginning of the year	169 183 000	-	**169 183 000**	18 477 337	**(150 705 663)**	
Cash and cash equivalents at the end of the year	**726 274 000**	**(127 838 000)**	**598 436 000**	**180 979 481**	**(417 456 519)**	

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Offsetting

Financial assets and liabilities are offset, and net amount reported on the statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 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:

Receivables from exchange transactions

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net replacement cost. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus.

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. estimated expenditure to be incurred to settle the liability is recognised as a provision. Where the effect of time value of money is material, the liability is discounted. Additional disclosure of these estimates of provisions are included in note 18 - Landfill site provision.

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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

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

The municipality assesses whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit. The municipality also considers whether it has the power to direct significant terms and conditions of the transaction in determining whether it is an agent or principal.

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

Additional information is disclosed in Note 58.

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Point that water meet the definition of inventory

Key judgements made and assumptions applied to establish where water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory, are as follows:

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, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not classified as inventory.

Designation of assets as non-cash-generating, or cash-generating

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 based on 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-cashgenerating 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.

Long services awards

The entitlement to long service award benefits is based on the employee remaining in service and the completion of a minimum service period of 10 years. Independent qualified actuaries carry out valuations of these obligations using the projected unit method. The assumptions used in determining the liability include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service award. Additional information is disclosed in Note 15.

Subsequent events

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the balance sheet date are disclosed by way of note to the financial statements.

Disclosure for each material category of non - adjusting events after the reporting date is done disclosing the nature of the event and the estimation of its financial effect of a statement that such an estimation cannot be made.

1.7 Property, plant and equipment

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

1.7 Property, plant and equipment (continued)

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.

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

Subsequent measurement

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	4 - 10 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
IT equipment	Straight-line	4 years
Specialised vehicles	Straight-line	15 years
Water reservoir reticulation	Straight-line	5 - 60 years
Sewerage purification	Straight-line	5 - 60 years

1.7 Property, plant and equipment (continued)

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

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

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

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.

Derecognition

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 Site restoration and dismantling cost

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

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

1.9 Intangible assets

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

1.9 Intangible assets (continued)

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

Initial recognition

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.

Subsequent measurement

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

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

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

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

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	5 years
Licenses	Straight-line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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

Derecognition

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

1.10 Heritage assets

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

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

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 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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.

1.10 Heritage assets (continued)

Derecognition

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

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

1.11 Financial instruments

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

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

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

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

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

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

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

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

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

A residual interest is any contract that entitles the holder to an interest in the assets of a municipality after deducting all of its liabilities net assets.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

1.11 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**
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	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**
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

Fair value measurement considerations

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

Short term receivables and payables are not discounted were initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

1.11 Financial instruments (continued)

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 derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced 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 by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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.

Financial liabilities

The municipality 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.

Accounting Policies

1.11 Financial instruments (continued)

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

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

Presentation

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

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

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

The municipality does not charge any interest on statutory receivables.

Other charges

The municipality does not levy any other charges statutory receivables.

1.12 Statutory receivables (continued)

Impairment losses

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

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

1.13 Leases

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

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

1.13 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the 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

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, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but 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.

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

1.15 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.

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.

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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

1.16 Net Assets

Net assets consist of residual interest of the municipality after deducting all of its liabilities.

Accounting Policies

1.17 Employee benefits

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

The Municipality provides short term benefits, long term benefits and long service awards for its employees and councillors.

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.

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service..

Leave pay
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Bonus Provisions
The Municipality recognises the expected cost of bonuses as a provision only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity 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 entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity 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 entity account for the plan as if it was a defined contribution plan.

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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;

1.17 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

The municipality provides post-employment medical care benefits to retired employees after completion of a minimum service period. The expected cost of these benefits is accrued over the life expectancy of the retired employees.

The Municipality has an obligation to provide Long-service Allowance Benefits to all its employees.

1.17 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.

Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.18 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.

1.18 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.20 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).

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Services charges

Service charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

Interest income

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

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

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

1.21 Revenue from non-exchange transactions

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

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.

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

Recognition

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

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

Measurement

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

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

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

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

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

1.21 Revenue from non-exchange transactions (continued)

Conditional grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Debt forgiveness and assumption of liabilities

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

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

Re-imbursive Grant Receivable

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.

Grants are recognized as non-exchange receivables to the extent that the Municipality has incurred expenditure prior to receiving the grant payout.

Gifts and donations, including goods in-kind

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Services in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Transfers

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

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

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

1.22 Investment income

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

1.23 Borrowing costs

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

1.23 Borrowing costs (continued)

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

Accounting Policies

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.25 Comparative figures

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

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

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.27 Fruitless and wasteful expenditure

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

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

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

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

Irregular expenditure disclosed in the annual financial statements will comprise irregular expenditure incurred in the current year, whilst irregular expenditure incurred in the previous financial year will be disclosed as a comparative amount in the annual financial statements.

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.30 Budget information

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

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

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

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

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 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).

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.

1.33 Additional disclosure in terms of Municipal Finance Management Act

The Municipal Finance Management Act requires the Municipality to disclose details of amounts invoiced, amounts paid and outstanding balances relating to Contributions to organised local government, Audit fees, payments to SARS in respect of employee taxes (PAYE, UIF and SDL), Pension and Medical Aid Deductions as well as VAT. The Municipality collects such information from its records and disclosed it in Note 55.

1.34 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the South African Revenue Service is included as part of receivables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis. VAT control debit and credit accounts (recognised on transaction(s) date before payments) are presented on a net basis and they do not form part of financial instruments. Once payments are received or paid, the VAT receivable or payable from/(to) SARS is presented on a net basis and is accounted as a statutory receivable under GRAP 108 or statutory payable in line with GRAP 19.

VAT input accrual is recorded on the transaction date as a receivable and is reported under current assets together with VAT receivable on the same note in the Statement of Financial Position.

VAT output accrual is recorded as a payable on transaction date and is reported under current liabilities (VAT payable) on the Statement of Financial Position.

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 2024 or later periods:

GRAP 103 (as revised): Heritage Assets

Background

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

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

Key amendments to GRAP 103

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

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

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

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

The effective date of these revisions have not yet been set by the Minister of Finance.

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

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

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the revisions is for years beginning on or after 01 April 2025.

The municipality expects to adopt the revisions for the first time on 01 April 2025.

The impact of this standard is currently being assessed.

3. Inventories

Consumable stores	31 978 428	32 651 526
Water for distribution	5 291	85 899
	31 983 719	32 737 425
Inventories (write-downs)	(357 055)	-
	31 626 664	**32 737 425**

Inventories recognised as an expense during the year	19 833 755	9 705 104

Inventory pledged as security

No inventory was pledged as security in the period under review.

Inventories gains/(write-downs)

Inventories losses/write-downs	(357 055)	-

The loss arose due to inventory price variances at year end.

4. Receivables from exchange transactions

Ba - Phalaborwa Municipality [4.1]	-	-
Consumer debtors - Water and sanitation [4.2]	85 610 902	135 131 754
Eskom - deposits	10 641 583	10 537 645
Payroll control	1 574 519	23 274
Prepaid expenditure [4.3]	446 553	458 019
Service providers [4.4]	254 679	130 714
Staff debtors [4.5]	359 705	456 693
	98 887 941	**146 738 099**

Non-current assets	37 025 622	46 400 000
Current assets	61 862 319	100 338 099
	98 887 941	**146 738 099**

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Prepaid expenditure	446 553	458 019
Staff debtors	359 705	456 693
	806 258	**914 712**
Financial asset receivables included in receivables from exchange transactions above	**98 081 683**	**145 823 387**

Total receivables from exchange transactions	98 887 941	146 738 099

There are no statutory receivable in the receivables from exchange transactions disclosed above.

	2024 R	2023 R

4. Receivables from exchange transactions (continued)

4.1. Ba - Phalaborwa Municipality

The debt owed by Ba-Phalaborwa Local Municipality has been impaired at year end following the assessment performed by Council. This was mainly informed by the realisation that the prospects of ever getting cash out of this reasonable are very minimum. The table below details the gross amount as well as impairment:

Description		
Gross carrying amount	532 395 553	461 852 438
Less impairment allowance	(532 395 553)	(461 852 438)
	-	-

The loan account is broken down into loan accounts and agency fees as tabulated below:

Description		
Loan Balance	615 147 002	533 383 764
Agency Fees Payable	(82 751 449)	(71 531 326)
	532 395 553	**461 852 438**

2024	**Ba-Phalaborwa**	**Total**
Loan Balance	615 147 002	615 147 002
Agency Fees Payable	(82 751 449)	(82 751 449)
Subtotal	532 395 553	532 395 553
Impairment	(532 395 553)	(532 395 553)
	-	-

2023	**Ba-Phalaborwa**	**Total**
Loan Balance	533 383 764	533 383 764
Agency Fees Payable	(71 531 326)	(71 531 326)
Subtotal	461 852 438	461 852 438
Less Impairment	(461 852 438)	(461 852 438)
	-	-

	2024 R	2023 R

4. Receivables from exchange transactions (continued)

4.2. Consumer debtors - Water and sanitation

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

	2024 R	2023 R
Gross balances		
Sewerage	372 841 234	332 403 356
Water	1 933 746 833	1 796 595 974
	2 306 588 067	**2 128 999 330**
Less: Allowance for impairment		
Sewerage	(367 664 987)	(320 831 396)
Water	(1 853 312 175)	(1 673 036 231)
	(2 220 977 162)	**(1 993 867 627)**
Net balance		
Sewerage	5 176 247	11 571 960
Water	80 434 658	123 559 743
	85 610 905	**135 131 703**
Sewerage - Ageing		
Current (0 -30 days)	5 990 151	30 552 492
31 - 60 days	4 302 251	3 703 037
61 - 90 days	4 045 119	3 492 236
91 - 120 days	3 847 057	3 338 077
121 - 365 days	354 656 657	291 317 515
	372 841 235	**332 403 357**
Water - Ageing		
Current (0 -30 days)	28 308 074	158 925 803
31 - 60 days	17 143 408	26 433 455
61 - 90 days	17 646 206	27 046 929
91 - 120 days	17 179 266	32 925 097
121 - 365 days	1 853 469 878	1 551 264 690
	1 933 746 832	**1 796 595 974**

Notes to the Annual Financial Statements

	2024 R	2023 R

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	29 167 020	147 543 502
31 - 60 days	19 056 701	22 380 570
61 - 90 days	19 218 922	23 718 167
91 - 120 days	18 781 038	27 311 859
121 - 365 days	2 061 250 604	1 577 787 557
Subtotal	2 147 474 285	1 798 741 655
Less: Allowance for impairment	(2 122 389 790)	(1 764 027 179)
	25 084 495	**34 714 476**

Industrial / commercial		
Current (0 -30 days)	3 076 283	15 709 343
31 - 60 days	1 413 838	4 786 782
61 - 90 days	1 485 147	4 197 543
91 - 120 days	1 301 738	4 623 847
121 - 365 days	75 957 596	107 526 631
Subtotal	83 234 602	136 844 146
Less: Allowance for impairment	(79 066 413)	(100 955 281)
	4 168 189	**35 888 865**

National and provincial government		
Current (0 -30 days)	2 054 922	26 225 450
31 - 60 days	975 120	2 969 140
61 - 90 days	987 256	2 623 454
91 - 120 days	943 547	4 327 468
121 - 365 days	70 918 335	157 268 016
Subtotal	75 879 180	193 413 528
Less: Allowance for impairment	(19 520 958)	(128 885 167)
	56 358 222	**64 528 361**

Reconciliation of allowance for impairment

Balance at beginning of the year	(1 993 867 627)	(1 590 315 351)
Amounts written off as uncollectible	-	217 106
Contributions to allowance	(227 109 535)	(403 769 382)
	(2 220 977 162)	**(1 993 867 627)**

Receivables breakdown by municipality

The table below shows the gross consumer debtors by category and municipality of origin as well as related impairment.

	2024 R	2023 R

4. Receivables from exchange transactions (continued)

2024	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng	Vhembe	Total
Sewerage	221 842 862	40 376 937	52 629 391	57 273 574	718 470	-	372 841 234
Water	1 417 308 681	178 130 912	208 378 122	68 073 013	7 760 334	54 095 770	1 933 746 832
Subtotal	**1 639 151 543**	**218 507 849**	**261 007 513**	**125 346 587**	**8 478 804**	**54 095 770**	**2 306 588 066**
Less: Allowance for impairment sewerage	(219 385 425)	(38 306 265)	(52 427 642)	(56 930 728)	(614 928)	-	(367 664 988)
Less: Allowance for impairment - Water	(1 406 748 413)	(166 272 475)	(207 102 323)	(67 000 458)	(6 188 507)	-	(1 853 312 176)
	13 017 705	**13 929 109**	**1 477 548**	**1 415 401**	**1 675 369**	**54 095 770**	**85 610 902**

2023	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng	Vhembe	Total
Sewerage	199 235 697	35 419 686	46 003 904	51 103 322	640 748	-	332 403 357
Water	1 317 878 487	157 374 421	193 481 818	63 933 962	5 927 286	58 000 000	1 796 595 974
Subtotal	**1 517 114 184**	**192 794 107**	**239 485 722**	**115 037 284**	**6 568 034**	**58 000 000**	**2 128 999 331**
Less: Allowance for impairment Sewerage	(197 545 234)	(26 159 899)	(45 812 384)	(50 777 664)	(536 215)	-	(320 831 396)
Less: Allowance for impairment - Water	(1 292 895 994)	(120 172 835)	(192 756 781)	(61 860 375)	(5 350 246)	-	(1 673 036 231)
	26 672 956	**46 461 373**	**916 557**	**2 399 245**	**681 573**	**58 000 000**	**135 131 704**

Consumer debtors pledged as security

There were no consumer receivables that were pledged as security against any of the municipal liabilities at year end.

4.3. Prepaid expenditure

Prepaid expenditure relates to fuel that has been paid in advance at the end of the year.

4.4. Service providers

Service provider debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Description	2024	2023
Gross carrying amount	8 706 242	8 807 277
Less impairment allowance	(8 451 563)	(8 676 562)
	254 679	**130 715**

4.5. Staff debtors

Staff debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Description	2024	2023
Gross carrying amount	4 151 913	4 265 824
Less impairment allowance	(3 792 208)	(3 809 131)
	359 705	**456 693**

Trade and other receivables pledged as security

There were no receivables from exchange transactions that were pledged as security against any of the municipal liabilities at year end.

Credit quality of trade and other receivables

Notes to the Annual Financial Statements

	2024 R	2023 R

4. Receivables from exchange transactions (continued)

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

Trade and other receivables past due but not impaired

Consumer debtors which are between 0-30 days are not to be impaired. As at 30 June 2024, R34 298 225 (2023: R189 478 295) was current and not impaired.

Trade and other receivables impaired

As of 30 June 2024, trade and other receivables of R2 272 289 842 (2023: R1 939 521 036) were impaired and provided for.

The amount of impairment was R2 220 977 162 as of 30 June 2024 (2023: R1 993 867 627).

5. Receivables from non-exchange transactions

	2024 R	2023 R
Government grants and subsidies	126 862 075	52 005 619
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Government grants: DWS	126 862 075	52 005 619
Total receivables from non-exchange transactions	126 862 075	52 005 619

Statutory receivables general information

Transaction(s) arising from statute

Funding receivable from DWS represents grants payable by DWS to the municipality upon completion of work done. In terms of the grant arrangements, the municipality first appoints contractors and performs the work on the projects and then uses the value of work performed to claim from the DWS. The receivable at the end of year represents invoices claimed from the DWS but not yet received at year end.

Interest or other charges levied/charged

The Municipality does not charge any interest on outstanding statutory receivables.

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

No impairment was considered necessary as all DWS receivables were subsequently received after year end. None of these receivables have been pledged as security for the Municipality's financial liabilities.

Receivables from non-exchange transactions pledged as security

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

	2024 R	2023 R
Grants Receivable are made up of the following		
DWS - WSIG schedule 6b grants	113 588 132	39 906 361
DWS - RBIG Mametja Sekororo	13 273 943	12 099 259
	126 862 075	**52 005 620**

Prior year adjustments

The Municipality omitted these items from statutory disclosures of the previous financial year.

	2024 R	2023 R

6. VAT receivable

VAT	375 750 623	305 809 653

The VAT receivable is made up o the following:

VAT Input accrued [1]	354 890 927	236 350 970
VAT due from SARS [2]	20 859 696	69 458 683
	375 750 623	**305 809 653**

VAT Input accrued [1]

This relates to the portion of input (invoices) that the Municipality has not yet paid over to suppliers (Accrual). Therefore, the Municipality is not yet entitled to claim from SARS until it pays them. In terms of the ASB's Fact sheet 11 - Classification of VAT it is not appropriate to net off this portion with that of sales output accrual reported under VAT payables in note 13.

VAT due from SARS [2]

This represents the VAT returns submitted to SARS and assessed but the refunds were only received by the Municipality after year end. This is a statutory receivable based on the ASB's ASB's Fact sheet 11 - Classification of VAT which clarified the matter. The balance is analysed as tabulated below:

Opening balance	69 458 683	32 897 175
Input VAT for the year	141 575 440	153 214 955
Output VAT for the year	(20 778 565)	(19 030 403)
Refunds received	(169 395 862)	(97 623 044)
Closing balance (Statutory receivable)	**20 859 696**	**69 458 683**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	18 431 519	3 166 975
Short-term deposits	162 548 048	15 310 362
	180 979 567	**18 477 337**

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

Credit quality of cash at bank and short term deposits, excluding cash on hand has been disclosed on Note 49.

Cash and cash equivalents pledged as collateral

No item of cash and cash equivalents has been pledged as security.

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB - Public Sector Cheque - 62854372093 [1]	18 190 825	3 200 900	64 092	18 431 527	3 166 975	1 632 761
FNB - Money On Call - 62858452205	73 143 773	6 777 170	26 854	73 143 773	6 777 170	26 854
FNB - Money On Call - 62858453568	89 404 274	8 533 192	28 125 402	89 404 274	8 533 192	28 125 402
Total	**180 738 872**	**18 511 262**	**28 216 348**	**180 979 574**	**18 477 337**	**29 785 017**

[1] The difference between the cash book balance and bank statement was due to valid reconciling items which all cleared after year end.

8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	194 504 884	(98 594 394)	95 910 490	193 866 284	(91 069 092)	102 797 192
Infrastructure	8 947 994 933	(2 750 037 390)	6 197 957 543	8 835 907 984	(2 459 037 627)	6 376 870 357
Land	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Other property, plant and equipment	200 833 899	(125 857 837)	74 976 062	190 030 196	(105 309 724)	84 720 472
Work in progress	3 211 559 324	-	3 211 559 324	2 346 647 742	-	2 346 647 742
Total	**12 566 873 816**	**(2 974 489 621)**	**9 592 384 195**	**11 578 432 982**	**(2 655 416 443)**	**8 923 016 539**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals/writeoff	Transfers	Change in rehabilitation estimate for landfill [1]	Depreciation	Impairment loss	Total
Buildings	102 797 192	638 600	-	-	-	(7 525 302)	-	95 910 490
Infrastructure	6 376 870 357	32 755 101	(34 958)	79 542 422	-	(272 880 522)	(18 294 857)	6 197 957 543
Land	11 980 776	-	-	-	-	-	-	11 980 776
Other property, plant and equipment	84 720 472	10 840 876	(23 617)	-	-	(18 571 234)	(1 990 435)	74 976 062
Work in progress	2 346 647 742	946 101 917	-	(79 542 422)	-	-	(1 647 913)	3 211 559 324
	8 923 016 539	**990 336 494**	**(58 575)**	**-**	**-**	**(298 977 058)**	**(21 933 205)**	**9 592 384 195**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals/writeoff	Transfers	Change in rehabilitation estimate for landfill [1]	Depreciation	Impairment loss	Total
Buildings	110 816 960	-	-	-	-	(8 019 768)	-	102 797 192
Infrastructure	6 574 784 528	31 314 760	(5 935 804)	-	(1 238 931)	(205 637 244)	(16 416 952)	6 376 870 357
Land	11 980 776	-	-	-	-	-	-	11 980 776
Other leased Assets	47 600 188	-	-	(47 600 188)	-	-	-	-
Other property, plant and equipment	52 834 043	2 933 140	-	47 600 188	-	(18 646 899)	-	84 720 472
Work in progress	1 681 068 756	665 578 986	-	-	-	-	-	2 346 647 742
	8 479 085 251	**699 826 886**	**(5 935 804)**	**-**	**(1 238 931)**	**(232 303 911)**	**(16 416 952)**	**8 923 016 539**

[1] This amount arose due to the annual valuation of the landfill site. There was a decrease in the liability at the end of the year and IGRAP 2 paragraph 5 requires this to be credited to the asset and only be taken to Statement of Financial Performance when the asset has been reduced to Rnil.

Notes to the Annual Financial Statements

	2024 R	2023 R

8. Property, plant and equipment (continued)

Pledged as security

There were no assets held as security for any of the municipal liabilities.

Compensation received for losses on property, plant and equipment – included in operating profit.

Insurance claims	50 674	1 030 188

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Sanitation network	106 917 799	106 917 799
Water network	3 104 808 455	2 239 729 976
Buildings	3	3
	3 211 726 257	**2 346 647 778**

	2024 R	2023 R

8. **Property, plant and equipment (continued)**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Refurbishment of Nkowankowa sewer plant	5 519 000	5 706 000

Appointed contractors withdrew from the project. A 3-year capital plan including outer years for sourcing funds was developed to ensure completion of the project. The planned expenditure (MIG) of R 123 000 000.00 for the period 2026-2029.

Refurbishment of Foskor sewer pump	2 091 552	2 091 552

The project was delayed due to other phase being under construction.

Sekgosese Ground water development scheme [1]	93 768 037	93 768 037

The overall project is a multi-year project. Delays were experienced on construction phases due to delay in ESKOM to connect boreholes and pump stations.

Construction of water reticulation in GA-Wally village	4 650 971	4 650 971

The project was delayed due to other phase being under construction.

Refurbishment DWAF	10 269 856	10 269 856

The project was delayed by as result of Eskom connection and bulk line water supply

Borehole development	18 884 841	101 519 499

The project was delayed by project management and Eskom energising..

Upgrading of water reticulation Maruleng	32 060 039	45 635 103

The project was delayed my project managemnt- awaiting another phase (Bulk line) to be functional.

Selwane Water Phase 2 D	3 964 626	9 895 782

The project is awaiting anothe phase ,selwane phase 2c.

Tours Bulk Water Scheme	177 070 525	177 070 525

The project was delayed due to pressure challenges on the bulk.

Lenyenye Sewerage plant	-	42 533 661

The project has been capitalised.

Upgrading of Senwamokgope Sewage Plant	21 987 362	21 987 362

The project was delayed due to other phase being under construction.

Upgrading of Phalaborwa Sewage Plant	20 034 401	37 201 383

The project was delayed due to other phase being under construction.

Notes to the Annual Financial Statements

	2024 R	2023 R
8. Property, plant and equipment (continued)		
Upgrading of Nkowankowa Sewage Plant	16 350 998	16 350 998
A 3-year capital plan including outer years for sourcing funds was developed to ensure completion of the project. The planned expenditure (MIG) of R 123 000 000.00 for the period 2026-2029.		
Kampersrus Sewage Plant	56 786 033	56 786 033
Awaiting ESKOM energising.		
Jopie Mawa - Ramotshinyadi	-	171 119 154
This is a multi-phase project, the reticulation is complete and awaiting another phase to be functional .		
Namakgale Sewarage Project	3 518 468	3 518 468
The project was delayed due to other phase being under construction.		
Upgrade of Water Reticulation GTM	15 740 464	15 740 464
The project was delayed by project management.		
Kampersrus Water Supply	32 780 364	32 780 364
The project was delayed due to other phase being under construction.		
Tours - Refurbishment	15 526 533	15 526 533
The project was delayed due to other phase being under construction.		
Hoedspruit Bulk Water Supply The project was delayed due to other phase being under construction.	59 556 733	59 556 733
Extension of scope for Sekgosese and Worcester Schemes - Senakwe	1 843 586	1 843 586
The project was delayed due to other phase being under construction.		
Extension of scope for Sekgosese and Worcester Schemes - Kuranta	1 972 479	1 972 479
The project was delayed due to other phase being under construction.		
Construction of Muhlava Water Pump Station	-	2 564 261
The project has been capitalised.		
Upgrading of Maapane Water Reticulation Network	1	1 140 514
The project has been impaired.		
Upgrading of the internal water reticulation and extensions-Kuranta	824 904	824 904
The project was delayed due to other phase being under construction.		
Makosha Village: Construction of A 1.7 km, 110 mm PVC Bulk pipeline and 300kl elevated Steel Tank	55 102	55 102
The project was delayed due to other phase being under construction.		

Notes to the Annual Financial Statements

	2024 R	2023 R
8. Property, plant and equipment (continued)		
Replacement and resizing of Water storage tank-Makhushane (Mapikiri Reservoir)	-	11 918 200
The project has been capitalised.		
Upgrading of Internal Water Reticulation network-Zava	-	11 156 627
The project has been capitalised.		
Refurbishment of Control panels for clear water at Giyani water Works	1 306 060	1 306 060
The project was delayed due to other phase being under construction.		
Assesment and refurbishing of water infrustructure in the willows and sedawa village	4 611 115	4 611 115
The project was delayed due to other phase being under construction.		
Drought Relief (WSIG) Boreholes	41 521 948	41 521 948
Awaiting ESKOM energising.		
Assesment and refurbishing of water infrustructure of electo mechenical components Khanyisa village	3 436 050	3 436 050
The project was delayed due to other phase being under construction.		
Lephephane water reticulation The contractor is done with the original scope of work as per the BOQ and done the additional work as per approved contingencies.	31 931 818	49 526 794
The outstanding works is pressure testing the pipeline.		
Lulekani water scheme (Namakgale)	3 822 181	3 822 181
The project was delayed due to other phase being under construction.		
Upgrade and refurbishment of middle letaba water treatment works	10 588 499	10 588 499
The project was delayed due to other phase being under construction.		
Molalane Water works	7 687 660	7 687 660
The project was delayed due to other phase being under construction.		
Repair and Installation of Pumps and Motor (Nkambako Water Works)	3 120 350	3 120 350
The project was delayed due to other phase being under construction.		
Lulekani water scheme- COVID 19 project	-	2 453 257
The project has been completed		
Construction of water Reticulation Ngove The project was delayed due to other phase being under construction.	13 912	13 912
Nkambako Water Treatment works	10 559 294	10 559 294
The project was delayed due to other phase being under construction.		

Notes to the Annual Financial Statements

	2024 R	2023 R
8. Property, plant and equipment (continued)		
Sekgopo Water Supply COVID 19	4 838 510	4 838 510
The project was delayed due to other phase being under construction.		
Refurbishment of Kgapane Waste WaterTreatment	4 446 132	4 446 132
The project was delayed due to other phase being under construction.		
Tours Water Reticulation COVID 19	32 561 462	32 561 462
The project was delayed due to other phase being under construction.		
Tours Bulk Water Scheme (Upgrading of Tours Water Treatment	36 422 512	36 422 512
The project was delayed due to other phase being under construction.		
Dzumeri upgrading of internal Reticulation	26 155	26 155
The project was delayed due to other phase being under construction.		
Makhuvha_upgrading of internal water reticulation newtwork	335 970	335 970
The project was delayed due to other phase being under construction.		
Maruleng LM Ground Water Augmentation	2 605 072	2 605 072
The project was delayed due to other phase being under construction.		
	795 091 575	**1 175 067 084**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

	2024 R	2023 R
Buildings (Mopani Office buildings)	1	1
The municipality abandoned construction of new office building at the Tzaneen Disaster Centre due to termination of service provider (Kgafela Cosntruction) which subsequently led to Litigation. The project was impaired to the carrying value of R1 in the 2017/2018 financial period.		
Modjadji Royal Pavilion and extension of fencing	1	1
The municipality abandoned project due to land dispute between the royal household and the municipality. The royal household gave the municipality another site to execute the project other than the initially provided at the beginning of the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
Namakgale Sewer Project	1	1
The municipality abandoned project due to the fact that the municipality terminated contract with consultant responsible for running the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
Refurbishment - Giyani water works (Impaired to R1)	1	1
The municipality abandoned the project because of the building structure that was cracking from the foundation. The refurbishments were impaired to R1 in the 2020-2021 financial period,		
	4	**4**

8. Property, plant and equipment (continued)

The four projects impaired had a total cost of R72 405 458 when they were impaired.

Reconciliation of Work-in-Progress 2024

	Sanitation	Water	Buildings	Total
Opening balance	106 917 799	2 239 729 976	3	2 346 647 778
Additions/capital expenditure	-	946 268 814	-	946 268 814
Impairment	(507 400)	(1 140 513)	-	(1 647 913)
	106 410 399	**3 184 858 277**	**3**	**3 291 268 679**

Reconciliation of Work-in-Progress 2023

	Sanitation	Water	Buildings	Total
Opening balance	106 917 799	1 574 150 954	3	1 681 068 756
Additions/capital expenditure	-	665 579 023	-	665 579 023
	106 917 799	**2 239 729 977**	**3**	**2 346 647 779**

Expenditure incurred to repair and maintain property, plant and equipment

	2024 R	2023 R
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of buildings and facilities	2 796 195	19 140
Maintenance of infrastructure	79 734 927	54 245 453
Motor vehicle and other general municipal services	11 413 911	7 298 033
	93 945 033	**61 562 626**

Fixed assets register

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.

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 765 980	(3 429 602)	5 336 378	5 456 672	(2 651 819)	2 804 853

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 804 853	3 309 308	(777 783)	5 336 378

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	3 291 963	-	(487 110)	2 804 853

9. Intangible assets (continued)

Pledged as security

None of the intangible assets has been pledged as security for any liability of the municipality.

10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	432 000	432 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral chain	432 000	432 000

Pledged as security

None of the heritage assets has been pledged as security for any liability of the Municipality.

11. Operating lease asset

	2024	2023
Non-current assets	1 923 811	2 623 379
Current assets	699 568	699 568
	2 623 379	**3 322 947**

The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2028. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R15 950 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 cubic meters in a month. This is to be charged at R0.83 per cubic meter.

Notes to the Annual Financial Statements

	2024 R	2023 R

12. Payables from exchange transactions

	2024 R	2023 R
Bonus accrual [12.1]	9 984 218	9 716 159
Debtors with credit balances [12.2]	1 198 757	1 009 703
Greater Giyani Municipality [12.7]	532 100	2 625 378
Greater Letaba Municipality [12.7]	187 141 668	174 870 346
Greater Tzaneen Municipality [12.7]	352 864 564	322 402 965
Leave accrual [12.3]	43 283 605	47 959 987
Maruleng Municipality [12.7]	39 219 993	33 131 961
Retentions	225 840 651	155 300 180
Trade creditors at local municipalities	20 883 647	21 405 778
Trade payables [12.4 & 12.5]	1 019 645 878	951 137 101
	1 900 595 081	**1 719 559 558**

Current liabilities	1 284 017 126	885 318 268
Non-current liabilities	616 577 955	834 241 290
	1 900 595 081	**1 719 559 558**

12.1. Bonus accrual

Municipality employees have structured their salary packages to include 13th cheque as bonus on the anniversary of their employment date except for employees who were transferred from Health Department and Water Department as their bonus is linked to the date, they joined the municipality. This arrangement is not applicable to Section 57 employees. In addition to the Bonus Maruleng Local Municipality has however cascaded the performance management system to its employees wherein the staff responsible for water and sanitation has been affected by the arrangement and receive the performance bonus relating to a performance. In addition to Bonus accrual the MDM has included the performance bonus awarded by Maruleng Local Municipality.

12.2. Debtors with credit balances

This relates to overpaid accounts by consumers.

12.3. Leave accrual

The municipality grants its employees 21 working days leave per year, except for section 57 employees who are entitled to 24 working days per calendar period. This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the annual leave provisions. The leave provision is based on the estimated salaries and is capped at 48 days.

	2024 R	2023 R

12. Payables from exchange transactions (continued)

12.4. All other payables from exchange transactions

These relate to operational creditors of the municipality.

12.5. Trade payables

These represent outstanding municipal liabilities for its main operations are are tabulated below:

Department of Water and Sanitation [1]	387 543 040	383 234 790
Eskom trade payables	-	13 615 519
Lepelle Northern Water [2]	335 792 029	450 474 201
SITA	423 796	410 340
Trade creditors [3]	295 887 013	103 402 251
	1 019 645 878	**951 137 101**

[1] The municipality signed a settlement agreement with the Department of Water and Sanitation a monthly payment of R2.5 million until the debt is fully paid up.

[2] The municipality entered into a settlement with Lepelle Northern Water wherein the municipality committed to pay R30 000 000 in the 2024 financial year, R72 000 000 in the 2025 financial year, R84 000 000 in the 2026 financial year and R97 000 000 in the 2027 financial year. Lepelle Northern Water agreed to write off historic collection penalty and historic interest totalling to R160 942 118. The write off is dependent on the actual amount of repayments made by the Municipality for the settlement of the historical debt. In the current year, the amount written off amounted to R9 952 251.

[3] These relate to operational creditors including accruals of the m unicipality.

12.6. Financial liabilities in payables from exchange transactions

The table below shows the reconciliation of payables from exchange transactions to financial liabilities disclosed in note 44.

Payables from exchange transactions on Statement Financial of Position	1 900 595 081	1 719 559 558
Less: Bonus accrual - employee benefits	(9 984 218)	(9 716 159)
Less: Leave accrual - employee benefits	(43 283 605)	(47 959 987)
	1 847 327 258	**1 661 883 412**

12.7 Local municipalities loan accounts

The loan accounts of the local municipalities are broken down into loan accounts and agency fees as tabulated below:

2024	**Tzaneen**	**Giyani**	**Letaba**	**Maruleng**	**Total**
Loan Balance	339 994 992	(8 505 229)	183 936 500	37 299 636	552 725 899
Agency Fees Payable	12 869 571	9 037 329	3 205 167	1 920 357	27 032 424
	352 864 563	**532 100**	**187 141 667**	**39 219 993**	**579 758 323**

2023	**Tzaneen**	**Giyani**	**Letaba**	**Maruleng**	**Total**
Loan Balance	311 536 577	(5 770 757)	171 950 898	31 449 845	509 166 563
Agency Fees Payable	10 866 387	8 396 135	2 919 448	1 682 115	23 864 085
	322 402 964	**2 625 378**	**174 870 346**	**33 131 960**	**533 030 648**

13. VAT payable

VAT output accrual [1]	287 366 701	250 903 140

Notes to the Annual Financial Statements

	2024 R	2023 R

13. VAT payable (continued)

[1] VAT output accrued relates to the value of water and sanitation related invoices raised by the Municipality but not yet settled by the consumers. This obligation is only payable to SARS on receipt of outstanding money from the consumers. Since the payment is not yet due to SARS, it is reflected as an "accrual" until received from consumers. In terms of the ASB's Fact sheet 11 - Classification of VAT it is not appropriate to net off this portion with that of VAT input accrual reported under VAT receivables in note 6.

14. Consumer deposits

	2024 R	2023 R
Water	4 039 483	4 091 085

15. Employee benefit obligations

Defined benefit plan

Defined benefit plan for the municipality consists of post-employment medical aid plan and long service award. In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2024 by ARCH Actuarial Consulting.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once off contributions.

The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

[A] Post-employment medical benefit plan (PEMA)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependents receive a 60% subsidy. Upon a member’s death-in-service or death-in-retirement the surviving dependents will not continue to receive a subsidy.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

[B] Long service award (LSA)

The municipality provides long-service award to its permanent employees.

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In accordance with the prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2024.

The benefits awarded for long term are calculated as follows:

Completed service (In years)	Long services Bonuses (% of annual Earnings)
5 years	(2%) 5/250 x annual earnings
10 years	(6%) 15/250 x annual earnings
15 years	(10%) 25/250 x annual earnings
20, 25, 30, 35, 40, 45 years	(14%) 35/250 x annual earnings

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contribution.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

Notes to the Annual Financial Statements

	2024 R	2023 R

15. Employee benefit obligations (continued)

[C] Post-retirement medical aid plan and Long service award

Valuation Method

The projected Unit Credit Funding method has been used to determine the past service liabilities at the valuation date and expense in the year following the valuation date.

Liability of employer

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date.

Valuation assets

As at the valuation date, the medical aid liability and long service award of the Municipality are unfunded. (No dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

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

	2024	2023
Carrying value		
Present value of the defined benefit obligation - wholly unfunded - PEMA	(63 566 022)	(56 923 694)
Present value of the defined benefit obligation-wholly unfunded - LSA	(44 053 118)	(28 219 270)
	(107 619 140)	**(85 142 964)**

	2024	2023
Non-current liabilities	(97 688 557)	(79 012 605)
Current liabilities	(9 930 583)	(6 130 359)
	(107 619 140)	**(85 142 964)**

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

	2024	2023
Opening balance	85 142 964	85 103 319
Benefits paid	(7 355 268)	(4 162 216)
Net expense recognised in the statement of financial performance	29 831 446	4 201 861
	107 619 142	**85 142 964**

Net expense recognised in the statement of financial performance

	2024	2023
Current service cost	20 153 951	5 217 539
Interest cost	10 050 291	9 505 839
Actuarial (gains) losses	(372 796)	(10 521 517)
	29 831 446	**4 201 861**

Calculation of actuarial gains and losses

	2024	2023
Actuarial (gains) losses – Obligation	(372 796)	(10 521 517)

	2024 R	2023 R

15. Employee benefit obligations (continued)

Key assumptions used

[A] Post-employment medical aid plan

In estimating the liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs
are recognised over time. The key financial and demographic assumptions are summarised below:

Financial variables

The most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables:

Discount rates used	12,27 %	12,51 %
Maximum subsidy inflation rate	5,44 %	5,72 %
Health care cost inflation rate	7,75 %	8,12 %

Demographic Assumptions		
Average retirement age	62	62
Continuation of membership at retirement	75,00 %	75,00 %
Proportion with a spouse dependent at retirement	60,00 %	60,00 %
Proportion of eligible in-service non-members joining a scheme by retirement	15,00 %	15,00 %
Mortality during retirement	SA85-90	SA85-90
Mortality post-retirement	PA (90)-1	PA (90)-1

[B] Long service award

Key assumptions for long service awards are as follows:

Financial variables		
Discount rate used	11,05 %	11,20 %
General earnings inflation rate (Long-term)	6,20 %	6,52 %
Net effective discount rate	4,56 %	4,39 %

The earnings used in the valuation include assumed increase of 4% as per the SALGBC Circular No.: 23/2021.

Demographic assumptions		
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90

Withdrawal from service

Age	Female	Male
20	9,00 %	9,00 %
30	6,00 %	6,00 %
40	5,00 %	5,00 %
50	3,00 %	3,00 %
55	0,00 %	0,00 %

Notes to the Annual Financial Statements

	2024 R	2023 R

15. Employee benefit obligations (continued)
Membership for Post-employment medical aid data:

The number of members entitled to receive post-employment medical aid subsidies from the municipality were:

Category	31-03-2024 Valuation	30-06-2023 Valuation
Current (In-service) members	403	422
Continuation members (Pensioners)	33	24
In-service (employee) non-members	250	244
	686	**690**

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the municipality in respect of the municipality in respect of post-employment medical aid benefit offered to employees:

Category		
Current (In-service) members	27 969 000	27 193 000
Continuation members (Pensioners)	13 914 000	10 285 000
In-service (employee) non-members	7 877 000	7 741 000
	49 760 000	**45 219 000**

Financial Assumptions

[i] Discount rate

A discount rate of 12.27% per annum has been used. The corresponding index-linked yield at this term is 5.20%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2024.

[ii] Health care inflation rate

The medical contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

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

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

[iii] Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

[i] Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

[ii] Post-retirement Mortality

15. Employee benefit obligations (continued)

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

[iii] Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age	Females	Males
20	9,00 %	9,00 %
25	8,00 %	8,00 %
30	6,00 %	6,00 %
35	5,00 %	5,00 %
40	5,00 %	5,00 %
45	4,00 %	4,00 %
50	3,00 %	3,00 %
55	0,00 %	0,00 %
>55	0,00 %	0,00 %

[iv] Average Retirement Age

The normal retirement age of employees Is 65. It has been assumed that employees will retire at age 62 on average. which then implicitly allows for expected rates of ill-health and early retirement.

[v] Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

[vi] Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme at retirement (should they not exit employment before then).

[vii] Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Sensitivity Analysis for Post-Employment Medical Aid

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

- a 1% increase and decrease in the assumed rate of health care cost inflation;
- a 1% increase and decrease in the discount rate;
- a one-year age reduction in the assumed rates of post-employment mortality;
- a one-year decrease in the assumed average retirement age;
- a 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

In order to illustrate the sensitivity of the results to changes in certain key variables, the liability has been recalculated using the assumptions as below:

15. Employee benefit obligations (continued)

Assumption	Change	In-service members	Continuation members	Total	% Change
Central assumption	0,00 %	35 846 000	13 914 000	49 760 000	0,00 %
Health care inflation	1,00 %	38 620 000	14 786 000	53 406 000	7,00 %
	(1,00)%	32 482 000	13 025 000	45 507 000	(9,00)%
Discount rate	1,00 %	31 360 000	12 873 000	44 233 000	(11,00)%
	(1,00)%	41 339 000	15 117 000	56 456 000	13,00 %
Post-retirement mortality	1 year	34 931 000	13 518 000	48 449 000	(3,00)%
	-1 year	36 749 000	14 306 000	51 055 000	3,00 %
Average retirement age	-1 year	39 266 000	13 914 000	53 180 000	7,00 %
Continuation of members at retirement	(10,00)%	31 068 000	13 914 000	44 982 000	(10,00)%

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

The sensitivity analysis on current-service and interest cost for the year ending 30 June 2024.

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0,00 %	2 042 000	5 600 000	7 642 000	0,00 %
Health care inflation rate	1,00 %	2 235 000	6 022 000	8 257 000	8,00 %
	(1,00)%	1 795 000	5 108 000	6 903 000	(10,00)%
Discount rate	1,00 %	1 726 000	5 360 000	7 086 000	(7,00)%
	(1,00)%	2 440 000	5 862 000	8 302 000	9,00 %
Post-employment mortality	1 year	1 991 000	5 450 000	7 441 000	(3,00)%
	-1 year	2 093 000	5 748 000	7 841 000	3,00 %
Average retirement age	-1 year	2 148 000	6 015 000	8 163 000	7,00 %
Continuation of members at retirement	(10,00)%	1 770 000	5 017 000	6 787 000	(11,00)%

[B] Sensitivity analysis for long service awards

The liability at the valuation date was recalculated to show the effect of:

- a 1% increase and decrease in the assumed general earnings inflation rate;
- a 1% increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and 50% increase in the assumed rates of withdrawal from services.

Sensitivity analysis on the unfunded liability

Assumption	Change	Liability	% Change
Central assumptions	0,00 %	38 760 000	0,00 %
General earnings inflation	1,00 %	40 680 000	5,00 %
	(1,00)%	36 998 000	(5,00)%
Discount rate	1,00 %	36 927 000	(5,00)%
	(1,00)%	40 786 000	5,00 %
Average retirement age	2 years	42 070 000	9,00 %
	-2 years	35 739 000	(8,00)%
Withdrawals	x2	34 983 000	(10,00)%
	x0.50	41 238 000	6,00 %

Sensitivity analysis on current service and interest costs for the year ending 30 June 2024:

Notes to the Annual Financial Statements

	2024 R	2023 R

15. Employee benefit obligations (continued)

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0,00 %	2 042 000	2 444 000	4 486 000	0,00 %
General earnings inflation	1,00 %	2 204 000	2 577 000	4 781 000	7,00 %
	(1,00)%	1 897 000	2 322 000	4 219 000	(6,00)%
Discount rate	1,00 %	1 912 000	2 525 000	4 437 000	(1,00)%
	(1,00)%	2 189 000	2 352 000	4 541 000	1,00 %
Average retirement age	2 years	2 238 000	2 796 000	5 034 000	12,00 %
	-2 years	1 809 000	2 060 000	3 869 000	(14,00)%
Withdrawal rates	x2	1 505 000	2 044 000	3 549 000	(21,00)%
	x0.50	2 436 000	2 708 000	5 144 000	15,00 %

15. Employee benefit obligations (continued)
Key Assumptions for Long service award

Financial variables

[i] Discount Rate

A discount rate of 11.05% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 11.05% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 5.08%.These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2024.

The liability-weighted average term of the total liability is 8.25 years.

[ii] Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

[iii] General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

Demographic assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

[i] Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.20% per annum for all employees:

Age band	Additional promotional scale
20 -24	5,00 %
25 - 29	4,00 %
30 - 34	3,00 %
35 - 39	2,00 %
40 - 44	1,00 %
> 44	0,00 %

[ii] Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age have been assumed to retire at their next birthday.

[iii] Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

[iv] Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

15. Employee benefit obligations (continued)

Age	Females	Males
20	9,00 %	9,00 %
25	8,00 %	8,00 %
30	6,00 %	6,00 %
35	5,00 %	5,00 %
40	5,00 %	5,00 %
45	4,00 %	4,00 %
50	3,00 %	3,00 %
55	0,00 %	0,00 %
>55	0,00 %	0,00 %

Disclosures on the actuarial valuations of Mopani employees stationed at local municipalities

The actuarial valuation for Mopani employers that are stationed at local municipalities were performed by different actuaries. The actuaries at the respective local municipality relied on the information as per the submission from the local municipality concerned. The methodologies used for valuations of PEMA and LSA are similar across the board

The number of employees stationed at local municipalities is too insignificant in comparison to the employees at MDM to have any negative influence on the total value of liability. It is against this background that further detailed assumptions and sensitivity analysis per local municipality are not disclosed.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

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

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation - PEMA	(63 566 022)	(56 923 694)	(56 995 253)	(53 464 820)	(44 803 443)
Defined benefit obligation - LSA	(44 053 118)	(28 219 270)	(28 108 067)	(23 584 088)	(25 914 513)

15. Employee benefit obligations (continued)

Defined contribution plans

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2024	2023
The total economic entity contribution to such schemes recognised as an expense	50 579 970	46 478 038

Employee benefits obligation breakdown by municipality

The table below shows the Employee benefits obligation category and municipality of origin:

2024	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	49 760 000	4 987 987	4 544 000	1 259 000	2 252 942	762 000
LSA	38 760 000	893 242	3 291 000	264 000	437 648	407 000
Total	**88 520 000**	**5 881 229**	**7 835 000**	**1 523 000**	**2 690 590**	**1 169 000**
Less current portion	(8 674 000)	(338 531)	(762 503)	(44 624)	(72 279)	(38 645)
	79 846 000	**5 542 698**	**7 072 497**	**1 478 376**	**2 618 311**	**1 130 355**

2023	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	45 219 000	4 429 227	4 056 000	1 242 000	1 442 478	618 000
LSA	23 836 000	851 652	2 473 000	351 000	413 057	304 000
Total	**69 055 000**	**5 280 879**	**6 529 000**	**1 593 000**	**1 855 535**	**922 000**
Less current portion	(5 078 000)	(242 511)	(620 792)	(79 077)	(59 718)	(50 260)
	63 977 000	**5 038 368**	**5 908 208**	**1 513 923**	**1 795 817**	**871 740**

16. Multi-employer plans

The municipality makes provision for post-retirement benefits to eligible councilors and employees who belong to different pension schemes.

All councilors belong to the pension fund for municipal councilors.

Employees belong to a variety of approved Pension funds and provident funds as described below.

All these afore-mentioned funds are multi-employer plans and are subjected to either a tri-annual, bi-annual or annual actuarial valuations, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each funds are held in one portfolio and are not notionally allocated to each of participating employer;
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefits plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R50 579 970 (2023 :R46 478 038) represents contributions paid to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The retirement funds have been valued by making use of the discounted cash flow method of valuation.

Defined Benefit Schemes -Valuation outcome

Municipal Employee Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Defined Contribution Schemes

Municipal Council pension fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

National Fund for Municipal Workers:

The Scheme is subject to an annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Government Employee Pension Fund:

The scheme is subject to an actuarial valuation at least once in every 3 years. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

The results of the March 2020 actuarial valuation show that the Fund is 108.3% funded, The Funding policy requires that the Board of Trustees ensure that the funding level of liabilities Is above 90%.This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to always meet its obligations, subject to a funding level of liabilities of at least 90%.

	2024 R	2023 R

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Drought Relief WISG [1]	6 777 182	6 777 182
Rural roads asset management grant	-	45 000
RBIG - COVID 19 relief grant [2]	36 090 000	36 090 000
Water Services Infrastructure Grant	32 037 091	64 024 293
	74 904 273	**106 936 475**

[1] The Department of Water and Sanitation allocated the municipality Drought relief grant in the financial period 2018/2019. The municipality could not fully spend the allocation. The grant allocation was not extended to period under review.

[2] The municipality received a COVID 19 relief grant from the Department of Water Affairs amounting to R36 090 000 in 2021 financial year. The purpose of the grant was to assist the municipality in providing water to the communities during the COVID pandemic period.

Movement during the year

Balance at the beginning of the year	106 936 475	146 712 992
Additions during the year	483 144 000	533 337 000
Income recognition during the year	(488 911 202)	(533 113 517)
Unapproved rollover	(26 265 000)	(40 000 000)
	74 904 273	**106 936 475**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

Repayment of unspent conditional grants

The Municipality has completed a repayment arrangement with National Treasury wherein all the R101 million of unspent grants will be repaid to National Treasury through deductions from the 2024/2025 Equitable share due to the Municipality. National Treasury will deduct an amount of R33.7 million per tranche over three payments in July 2024, December 2024 and March 2025 from the Equitable Share Grant.

	2024 R	2023 R

18. Landfill site provision

Reconciliation of landfill site provision - 2023

	Opening Balance	Reductions	Change in discount factor	Derecognition	Total
Environmental rehabilitation	5 403 991	(1 238 931)	334 415	(4 499 475)	-

Environmental rehabilitation provision

The landfill site provision related to the costs of rehabilitating its landfill site that was located in Maruleng Municipality when it reaches the end of its useful and was discounted to reflect its present value at 31 January 2023 and was derecognised on the same date when it was transferred to Maruleng local Municipality.

The evaluation, audit and computation of the provision for rehabilitation of the site was carried out by Environmental & Sustainability Solution CC.

Provision was made for this cost based on the estimated present value of future cash flow arising from the landfill cost expected as at 31 January 2023, the discount rate used for present value calculation was based on average CPI of 6.17%, a discount rate of 11.42% and net effective discount rate of 5.25%.

The landfill site was expected to be used for the next thirty-seven and half (37.5) years as at 31 January 2023 and it was estimated that R25 474 365 (2022: R23 749 951) would have been required to rehabilitate the site.

This obligation was not cash backed at the date of derecognition. Further, the municipality did not have any separate investments or assets to fund this obligation.

19. Service charges

	2024 R	2023 R
Sale of water	174 432 569	227 483 635
Sewerage and sanitation charges	45 252 745	38 720 602
VAT Recovery	(2)	-
	219 685 312	**266 204 237**

20. Interest charged on overdue consumer accounts

	2024 R	2023 R
Interest charged on overdue consumer accounts	112 147 776	94 451 604

This relates to interest charged by the municipality for late payment of water and sanitation accounts by consumers.

21. Other income

	2024 R	2023 R
Insurance claims	50 674	1 030 188
Reconnection fees	67 996	59 160
Sundry income	1 399 312	1 218 154
Tender fees [1]	1 228 961	8 975 152
	2 746 943	**11 282 654**

[1] The decrease in tender sales income was due to there being no high value bids in current year. These high value bids were issued at an average tender price R4 000 per document in the previous year.

22. Interest received - investment

	2024 R	2023 R
Interest received - Investment	27 775 043	11 463 425

The increase is due to an increase in money in the call account which has been unutilised throughout the whole year and has been invested.

	2024 R	2023 R

23. Government grants and subsidies

Operating grants

Equitable share	1 265 409 000	1 170 419 000
EPWP grant	8 226 000	10 600 000
Finance management grant	3 000 000	3 000 000
	1 276 635 000	**1 184 019 000**

Capital grants

Municipal infrastructure grant	469 548 000	486 572 718
Water services infrastructure grant	5 722 202	29 277 798
Rural roads asset management grant	2 415 000	3 663 000
WSIG Schedule 6B grants	586 081 727	193 429 578
RBIG Mametja Sekororo grant	6 925 629	47 402 510
	1 070 692 558	**760 345 604**
	2 347 327 558	**1 944 364 604**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	1 081 918 558	773 945 604
Unconditional grants received	1 265 409 000	1 170 419 000
	2 347 327 558	**1 944 364 604**

Equitable Share

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

Municipal infrastructure grant

Balance unspent at beginning of year	-	45 543 719
Current-year receipts	469 548 000	481 029 000
Conditions met - transferred to revenue	(469 548 000)	(486 572 719)
Unapproved rollover	-	(40 000 000)
	-	**-**

There are no conditions still to be met on these grants.

The purpose of this grant is to improve access to basic service infrastructure for poor communities.

Finance management grant

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	**-**

There are no conditions still to be met on these grants.

The Finance Management Grant (FMG) is the grant to assist with the appointment of finance interns and also to augment the salary for the Chief Financial Officer and lastly to capacitate the employees to meet minimum competency requirement to work in finance.

Notes to the Annual Financial Statements

	2024 R	2023 R

23. Government grants and subsidies (continued)

Rural roads asset management grant

Balance unspent at beginning of year	45 000	-
Current-year receipts	2 370 000	3 708 000
Conditions met - transferred to revenue	(2 415 000)	(3 663 000)
	-	**45 000**

There are no conditions still to be met on these grants.

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

Expanded Public Works Programme Integrated Grant

Current-year receipts	8 226 000	10 600 000
Conditions met - transferred to revenue	(8 226 000)	(10 600 000)
	-	**-**

There are no conditions still to be met on these grants.

The purpose of the grant is to improve opportunities for sustainable employment based on experiential learning attained through the programme.

WSIG schedule 6B grants

Balance unspent at beginning of year	(39 906 361)	-
Current-year receipts	512 399 956	153 523 217
Conditions met - transferred to revenue [1]	(586 081 727)	(193 429 578)
	(113 588 132)	**(39 906 361)**

There are no conditions still to be met on these grants.

The purpose of the grant is to finance construction of water and sanitation infrastructure in the communities.

The closing balance is negative representing amounts receivable from the Department of Water Affairs at the end of the year as reported in note 5.

RBIG Mametja Sekororo

Balance unspent at beginning of year	(12 099 259)	-
Current-year receipts	5 750 944	35 303 251
Conditions met - transferred to revenue [1]	(6 925 628)	(47 402 510)
	(13 273 943)	**(12 099 259)**

There are no conditions still to be met on these grants.

The purpose of the grant is to finance construction of the Mametja Sekororo Water infrastructure.

The closing balance is negative representing amounts receivable from the Department of Water Affairs at the end of the year as reported in note 5.

	2024 R	2023 R

23. Government grants and subsidies (continued)

RBIG - COVID 19 relief grant

Balance unspent at beginning of year	36 090 000	36 090 000

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

The municipality received a COVID 19 relief grant from the Department of Water Affairs amounting to R36 090 000 in 2021 financial year. The purpose of the grant was to assist the municipality in providing water to the communities during the COVID pandemic period.

Water service infrastructure grant

Balance unspent at beginning of year	64 024 293	58 302 091
Current-year receipts	-	35 000 000
Conditions met - transferred to revenue	(5 722 202)	(29 277 798)
Unapproved rollover	(26 265 000)	-
	32 037 091	**64 024 293**

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

The purpose of this grant is to support refurbishment of water services infrastructure projects.

Drought Relief WISG

Balance unspent at beginning of year	6 777 182	6 777 182

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

The Department of Water and Sanitation allocated the municipality Drought relief grant in the financial period 2018/2019. The municipality could not fully spend the allocation. The grant allocation was not extended to period under review.

24. Revenue from debt forgiveness

Lepelle Northern Water debt write-off [1]	9 952 251	-

[1] This amount arose due to debt write off by Lepelle Northern Water on the amount owed by the District Municipality following conclusion of a debt settlement agreement. In terms of the agreement, the municipality committed to pay R30 000 000 in the 2024 financial year, R72 000 000 in the 2025 financial year, R84 000 000 in the 2026 financial year and R97 000 000 in the 2027 financial year. Lepelle Northern Water agreed to write off historic collection penalty and historic interest totalling to R160 942 118. The write off is dependent on the actual amount of repayments made by the Municipality for the settlement of the historical debt. In the current year, the amount written off amounted to R9 952 251.

25. Public contributions and donations

Assets received as donation	-	58 700

Notes to the Annual Financial Statements

	2024 R	2023 R

26. Service in-kind

The nature and type of major classes of services in-kind received, are as follows

Services in-kind that are significant to the municipality's operations and/or service delivery objectives		
Free use of offices belonging to other organs of state [1]	3 159 924	2 953 200
Notional expenses		
Notional rent on office space [1]	(3 159 924)	(2 953 200)

[1] The municipality has been occupying an office space at Giyani Government Complex, under the property which belongs to the Department of Public Works. The municipality has been using this property from year 2003, The municipality occupies the space of about 4872 square meters in office complex. The municipality has been occupying this office space without paying any rental to the Department of public works. Therefore, this qualifies to be regarded as a service in kind. The deemed right of use of the building is significant to its operations and/or service delivery objectives as the building is used for housing of key departments which are integral to the execution of water and sanitation services to the community. The rental was valued by the Department of Public Works.

27. Other non-exchange income

LGW SETA income	748 807	658 272

28. Employee related costs

Bargaining council	208 025	66 631
Basic	295 208 667	273 817 700
Bonus	21 309 348	20 660 429
Car allowance	39 589 953	35 710 917
Defined contribution plans	50 579 970	46 478 038
Housing benefits and allowances	5 051 254	4 285 781
Leave expenditure	11 289 084	19 204 764
Long-service awards - service cost	17 357 570	2 365 373
Medical aid - company contributions	21 578 565	18 881 696
Non-pensionable allowance	1 695	293 719
Other allowances and levies	7 674 913	7 685 177
Overtime payments	40 878 455	45 131 013
Post-employment medical aid - service cost	2 796 381	2 852 166
SDL	3 528 425	3 743 976
UIF	1 791 306	1 676 860
Workman compensation	2 108 866	5 555 924
	520 952 477	**488 410 164**

Detailed senior management remuneration disclosures for Section 57 managers have been disclosed in note 47.

29. Remuneration of councillors

Executive Mayor	1 046 025	988 262
Speaker	927 835	806 625
Chief Whip	884 307	895 357
Other councillors	13 323 078	13 199 840
	16 181 245	**15 890 084**

	2024 R	2023 R

29. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Mayor and the Speaker have use of Council owned vehicles for official duties.

Additional information

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

Detailed councillors' remuneration disclosures have been disclosed in note 47.

30. Depreciation and amortisation

	2024 R	2023 R
Property, plant and equipment	298 810 162	238 321 545
Intangible assets	777 783	487 110
	299 587 945	**238 808 655**

31. Finance costs

	2024 R	2023 R
Interest on late payment of trade and other payables	63 780 456	41 035 641
Finance leases	-	949
Discounting of landfill site provisions	-	334 415
Post-employment benefits	10 050 291	9 505 839
	73 830 747	**50 876 844**

32. Lease rentals on operating lease

	2024 R	2023 R
Infrastructure		
Contractual amounts	699 568	699 568

The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2028. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R15 950 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 cubic meters in a month. This is to be charged at R0.83 per cubic meter.

33. Debt impairment

	2024 R	2023 R
Debt impairment - Consumer debtors	261 960 040	434 840 842
Debt impairment - Ba-Phalaborwa loan account	35 692 610	(93 367 139)
Debt impairment - Staff debtors and service providers	(241 923)	8 223 416
	297 410 727	**349 697 119**

34. Inventory consumed and bulk purchases

	2024 R	2023 R
Borehole Spares	19 833 756	9 477 264
Chemicals	37 893 427	19 379 281
Water	208 825 648	166 605 842
	266 552 831	**195 462 387**

Notes to the Annual Financial Statements

	2024 R	2023 R

34. Inventory consumed and bulk purchases (continued)

Water losses

Production losses	**2024**	**2023**
Raw abstracted Volumes (m3)	35 818 169	29 566 968
Produced Volumes (m3)	(32 212 075)	(26 446 701)
	-	-
Loss	**3 606 094**	**3 120 267**
Distribution losses		
Produced Volumes (m3)	32 212 075	26 446 701
Distributed Volumes (m3)	(29 950 204)	(24 281 911)
	-	-
Total	**2 261 871**	**2 164 790**
Percentage Loss:		
Production losses	10,068 %	10,553 %
Distribution losses	7,022 %	8,185 %

Losses in Rand value		
Production loss	202 072	174 848
Distribution losses	126 747	121 307
	328 819	**296 155**

35. Contracted services

Agency fees	12 511 705	14 582 542
Meter management	1 724 937	2 632 753
Security services	100 399 906	82 730 387
	114 636 548	**99 945 682**

36. Transfer and subsidies

Employee Bursaries	-	1 143 000

Notes to the Annual Financial Statements

	2024 R	2023 R

37. Operating expenses

Advertising	449 830	1 021 331
Air quality monitoring	117 391	407 383
Audit committee remuneration	2 287 153	1 660 218
Auditors remuneration	11 420 278	12 003 118
Bank charges	236 118	87 309
Catering services	3 326 957	804 317
Consumable stores	8 673 808	6 453 668
Conferences and seminars	2 655 523	558 876
Electricity	67 795 733	62 742 446
Files and records management	318 004	-
Fuel and oil	15 265 935	16 240 329
IT expenses	414 035	550 460
Insurance	3 518 406	1 005 820
Motor vehicle expenses	718 047	739 970
Municipal services	283 127	109 196
Municipal tribunal and planning members	303 054	450 141
OHS sssessment	-	184 000
Other expenses	2 545 421	2 608 491
Printing and stationery	1 038 994	904 818
Protective clothing	6 401 256	1 933 422
Road management system	2 336 989	3 185 217
Software expenses	2 200 639	3 912 452
Subscriptions and membership fees	5 393 257	4 970 113
Telephone and fax	5 630 194	5 739 785
Township establishment	-	355 500
Training	706 147	1 397 348
Transport and equipment hire	141 770	-
Travel - local	20 774 704	24 271 312
Waste management	175 266	795 430
Water tanker services	41 559 058	25 880 434
	206 687 094	**180 972 904**

38. Consultation and professional fees

Accounting and advisory	12 955 937	17 276 381
Asset management	4 055 239	3 455 534
Legal advice and litigation [1]	46 971 362	29 634 322
Project management	17 007 515	18 616 720
Transport plan	95 100	-
	81 085 153	**68 982 957**

[1] The increase in legal expenses is due to a high number of disciplinary cases in the current year.

39. Repairs and maintenance

Maintenance of buildings and facilities	2 796 195	19 140
Maintenance of infrastructure	79 734 927	54 245 453
Motor Vehicle and other general municipal services	11 413 911	7 298 033
	93 945 033	**61 562 626**

40. VIP Toilets

VIP Toilets	5 024 572	66 339 304

Notes to the Annual Financial Statements

	2024 R	2023 R

41. Impairment and write off - assets

	2024 R	2023 R
Impairments		
Property, plant and equipment	22 100 004	16 962 416

The assessment of property, plant and equipment conditions was performed in current year and impairment loss was identified on some items of property, plant and equipment. The review led to the recognition of an impairment loss of R22 100 004 (2023: R16 962 416).

42. (Loss) gain on disposal of assets and liabilities

	2024 R	2023 R
Gain on derecognition of landfill site provision	-	4 499 475
(Loss) gain on disposal of items of property, plant and equipment	(58 575)	(5 935 444)
	(58 575)	**(1 435 969)**

43. Cash generated from operations

	2024 R	2023 R
Surplus	721 646 912	501 815 334
Adjustments for:		
Depreciation and amortisation	299 587 945	238 808 655
Gain on sale of assets and liabilities	58 575	1 435 969
Finance costs - Finance leases	-	949
Discounting of landfill site provisions	-	334 415
Impairment loss	22 100 004	16 962 416
Debt impairment	297 410 727	349 697 119
Movements in operating lease assets and accruals	699 568	699 568
Movements in retirement benefit assets and liabilities	22 476 176	39 644
Inventory losses or write-downs	357 055	-
Non-cash donations and other in-kind benefits	-	(58 700)
Services in kind revenue	(3 159 924)	(2 953 200)
Notional expenses	3 159 924	2 953 200
Non cash in other income	-	(9 967)
Revenue from debt forgiveness	(9 952 251)	-
Changes in working capital:		
Inventories	753 706	4 157 758
Receivables from exchange transactions	(249 560 570)	(315 704 529)
Other receivables from non-exchange transactions	(74 856 456)	(52 005 619)
Payables from exchange transactions	120 447 302	(30 018 320)
VAT receivable	(69 940 972)	(91 084 103)
Unspent conditional grants and receipts	(32 032 202)	(39 776 519)
Consumer deposits	(51 602)	65 254
VAT Payable	36 463 559	50 372 190
	1 085 607 476	**635 731 514**

Notes to the Annual Financial Statements

	2024 R	2023 R

44. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	98 081 683	98 081 683
Cash and cash equivalents	180 979 567	180 979 567
	279 061 250	**279 061 250**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 847 327 258	1 847 327 258
Consumer deposits	4 039 483	4 039 483
	1 851 366 741	**1 851 366 741**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	145 823 387	145 823 387
Cash and cash equivalents	18 477 337	18 477 337
	164 300 724	**164 300 724**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 661 883 412	1 661 883 412
Consumer deposits	4 091 085	4 091 085
	1 665 974 497	**1 665 974 497**

Financial instruments in Statement of financial performance

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	139 922 819	139 922 819
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(63 780 456)	(63 780 456)
Impairment loss	(297 652 650)	(297 652 650)
	(221 510 287)	**(221 510 287)**

2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	105 915 029	105 915 029
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(41 036 590)	(41 036 590)
Impairment loss	(341 473 703)	(341 473 703)
	(276 595 264)	**(276 595 264)**

	2024 R	2023 R

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 154 811 079	1 584 212 740
Total capital commitments		
Already contracted for but not provided for	1 154 811 079	1 584 212 740

Authorised operational expenditure

Already contracted for but not provided for		
• Services	149 877 021	131 489 078
Total operational commitments		
Already contracted for but not provided for	149 877 021	131 489 078

Total commitments

Total commitments		
Authorised capital expenditure	1 154 811 079	1 584 212 740
Authorised operational expenditure	149 877 021	131 489 078
	1 304 688 100	**1 715 701 818**

Capital commitment represent future, capital expenditure. The municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per Medium-Term Revenue and Expenditure Framework (MTREF). This committed expenditure relates to capital expenditure projects that are in line with municipalities service delivery. The municipality has unspent grants on WSIG and RRMS amounting to R32 037 091 which are not cash backed. However, a rollover application has been done, which on approval will be utilised in meeting the commitments. The balance of the commitments will be further financed by the equitable share that will be received from National Treasury.

Prior period errors

Certain errors were identified and corrected retrospectively for commitments disclosure of the 2022/2023 financial year. The table below shows the impact:

Details	**Amount**
Amount Previously disclosed	1 675 558 605
Correction of errors [1]	40 143 213
Balance restated	**1 715 701 818**

[1] The errors were due to understatements caused by including contracts with negative balances as commitments.

Notes to the Annual Financial Statements

	2024 R	2023 R

46. Contingencies

Litigation is in the process against the municipality relating to a number of disputes. The municipality's lawyers and management treat each case in its merits and does not see likelihood of these cases being successful. The contingent raised is based on litigation the municipality has instituted against third parties and management has assessed there is high possibility of the litigation working out in their favour.

Pending Legal Cases

	2024 R	2023 R
Matter between Anna Magaretha Botha and MDM for the injury she sustained at a MDM sewage manhole in Modjadjiskloof. The matter is before the high court	950 000	950 000
Matter between Palm Kwekery and MDM for failure to prevent wildfire. The summons have been issued	4 684 140	4 684 140
Matter between Oryx Pipes and MDM for payment of outstanding invoice on the Nandoni pipeline project	2 183 903	2 183 903
Matter between Maile Nkoane and MDM seeking compensation relating to her car damages. The summons have been issued.	37 384	37 384
Borehole operators claims for services rendered for the municipality. Full list of operator claims on the register. [1]	-	8 844 923
Matter between EMC Consulting and MDM application for settlement of account on work done for the sefofotse and ditshosine/ ramahlatsi bulk water and reticulation.	29 730 284	29 730 284
Matter between Kgafela Construction and MDM for termination of contract for the building of Offices in Tzaneen. A counter claim was instituted against Kgafela Construction by the Municipality	43 611 996	43 611 996
Matter between MN Nengovhela and MDM. Civil non-payment of a claim for work done by the municipality	4 500 136	4 500 136
Matter between Dr Mazana and MDM for accident due to road maintenance	27 384	27 384
Civil - Cession claim based on a cession, Matter between BD Finance and MDM	375 000	375 000
Matter between SGL Engineering and MDM for Nkowankowa Sewer Project [2]	-	2 412 437
A claim by MN Nengovhela for alleged work done at Senakwe project	461 664	461 664
A claim by Siphiwe Engineering and MDM for failing to make payment in respect of service rendered and disbursement incurred up to the completion of stage 3 for design development on the Thapane project	17 554 634	17 554 634
A claim by Makasela Consulting & Projects and MDM for failing to make payment for completion of designs [3]	-	5 219 666
A civil matter between Hlimbyi and MDM. Hlimbyi is claiming unpaid invoices relating to escalation costs security contract it had with the municipality	2 978 401	2 978 401
Sebata has instituted Arbitration proceedings claiming an amount of for alleged work done prior to the termination of contract	4 608 397	4 608 397
Matter between Kgatla Family and MDM/Civil Element. The family is suing for damages to property on Thapane water scheme phase 28	995 000	995 000
Matter between Lilithalethu Trading and MDM. Lilithalethu Trading served with MDM a provisional sentence summons for retention on a completed project	1 817 564	1 817 564
Matter between Nkuriso and MDM. Mkuriso is claiming damage for services that were rendered and the municipality refuses to settle the account	25 180 676	25 180 676
Matter between Patoka Trading and MDM. Patoka is suing for damages relating to use of property without permission	1 663 000	1 663 000
Matter between CV Chabane and MDM	5 120 169	5 120 169
Matter between MDM and Endecon Ubuntu. Endecon launched legal action for work done	1 530 513	1 530 513
Matter involving MD and Chem Tech. This is claim for alleged services rendered	822 192	822 192
Matter involving MD and Joachim Johannes Nienaber relating to a motor vehicle accident claim	190 193	190 193
Matter involving MDM and BMK Electro mechanics relating to a civil contract claim for work done	2 500 690	2 500 690
Matter involving MDM and Manengo Ngobeni for a civil – claim for damages as a result of a car accident	63 884	63 884
Matter involving MDM and Mpumamanzi Group relating to a civil – claim for alleged work done	269 788	269 788
Uranus Consulting Engineering cc.Failure to pay for service rendered	3 432 331	3 432 331
Happy Nkuna case no 46/2023. Mr Nkuna issued summons as a result of damage to his tyre due to a pothole. Mr Nkuna was served with plea	109 536	109 536
Justmat Trading and Projects (Pty) Ltd [4]	-	2 383 533
Mopani Flying Squad and Alarm Response, issued a review application against MDM under case number 354/2022 following it being unsuccessful in a tender bidding process [5]	-	-

Notes to the Annual Financial Statements

	2024 R	2023 R
46. Contingencies (continued)		
	155 398 859	**174 259 418**

[1] Settlement agreement has been reached with plaintiffs. Trade creditor has been raised.

[2] Case has been dismissed in favour of the municipality. No liability due by the municipality.

[3] Appeal has been dismissed. No liability due by the Municipality.

[4] Case has been settled. No liability due by Municipality.

[5] Case has been dismissed in favour of the municipality. No liability due by the municipality.In the prior year, there was no amount claimed but rather a review application for the tender process followed.

Contingent assets

	2024 R	2023 R
The municipality is suing the contractor and the contractor is counter suing MDM for cancellation of same contract by Kgafela	14 140 977	14 140 977
Matter between MOM and Tsurikomi SSV JV. The municipality is claiming refunds for overpayment on Kampersrus sewer phase 2	1 373 881	1 373 881
Matter Between MOM and Modiro Consulting. MDM Is claiming recovery of funds as a result of negligence by the consulting engineer	3 503 266	3 503 266
Matter between MDM and Twin Corner Construction. The municipality is claiming refunds for payment made for services not performed	14 764 271	14 764 271
MDM // Councillors Civil – Overpayment of Upper limits	3 589 337	3 589 337
	37 371 732	**37 371 732**

	2024	2023
	R	R

47. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note 5.
Councillors	Refer to General Information page 3.
Members of key management	Mr. Mogano TJ (Municipal Manager) Ms. Mathevula SP (Chief Financial Officer) Ms. Ngobeni SN (Corporate Services) Mr. Shilowa JP (Water Services) Mr. Mahayi ML (Engineering Services) Ms. Ntimbani C (Community Services - until 31 July 2023) Mr. Monakedi TA (Planning and Development) Ms. Pilusa MB (Community Services - From 01 June 2024) Mr. Mudau NR (Acting: Community Services - August 2023 to January 2024) Mr. Masingi TF (Acting: Community Services - March 2024 to April 2024)

Related party balances

2024	Members of key management	Councillors	Total
Staff receivables	189 427	828 993	1 018 420
Subtotal	**189 427**	**828 993**	**1 018 420**
Less impairment recognised	(189 216)	(751 727)	(940 943)
	211	**77 266**	**77 477**

2023	Members of key management	Councillors	Total
Staff receivables	189 216	870 549	1 059 765
Subtotal	**189 216**	**870 549**	**1 059 765**
Less impairment recognised	(189 216)	(790 397)	(979 613)
	-	**80 152**	**80 152**

The impairment was recognised based on the related party (senior management and council) having left the municipality without signing repayment agreements, no payments received in the past year and in some cases the related party having been deceased. The municipality assessed these factors as objective evidence of impairment.

The municipality has no guarantee in relation to the debt raised.

Compensation to accounting officer and other key management

	2024	2023
Basic salary	6 907 713	6 109 265
Car allowances	2 181 924	2 126 067
Other short-term employee benefits	718 788	758 591
Acting allowances	155 597	200 036
Cellphone Allowance *	111 000	106 300
	10 075 022	**9 300 259**

* The municipality omitted cell phone allowances line in the disclosure of the financial statements of 2023 financial year.

Key management information

Class	Description	Number
Section 57 Directors	Head of departments within the municipality	8

47. Related parties (continued)

Councillors	Political appointments	60

Remuneration of management

Management class: Section 57 Directors

2024

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowances	Cellphone Allowance	Total
TJ. Mogano (Municipal Manager)	1 224 039	384 700	56 905	-	18 000	1 683 644
SP Mathevula (Chief Financial Officer)	991 016	314 473	47 847	-	18 000	1 371 336
SN. Ngobeni (Corporate Services)	998 303	236 762	134 640	-	18 000	1 387 705
JP. Shilowa (Water services)	1 000 591	314 473	52 573	-	18 000	1 385 637
ML. Mahayi (Engineering Services)	989 491	319 191	50 557	-	18 000	1 377 239
C. Ntimbani (Community Services - until 31 July 2023)	106 397	31 919	104 278	-	1 500	244 094
TA. Monakedi (Planning and development)	946 565	314 474	33 959	-	18 000	1 312 998
MB. Pilusa (Community Services - From 01 June 2024)	82 192	27 397	2 768	-	1 500	113 857
NR. Mudau (Acting director: Community Services - August 2023 to January 2024)	385 429	165 592	122 196	77 644	-	750 861
TF. Masingi (Acting director: Community Services - March 2024 to April 2024)	183 690	72 943	113 065	77 953	-	447 651
	6 907 713	**2 181 924**	**718 788**	**155 597**	**111 000**	**10 075 022**

The director of Community Service SC Ntimbani resigned in July 2023. NR. Mudau and TF. Masingi acted from August 2023 to April 2024 when MB Pilusa was hired.

2023

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowances	Cellphone Allowance	Total
TJ. Mogano (Municipal Manager)	1 199 446	384 700	15 582	-	18 300	1 618 028
SP Mathevula (Chief Financial Officer - Started October 2022)	721 716	235 855	9 019	-	13 500	980 090
SN. Ngobeni (Corporate Services)	974 549	228 791	90 868	-	18 500	1 312 708
JP. Shilowa (Water services)	982 415	314 473	11 648	-	18 500	1 327 036
ML. Mahayi (Engineering Services - Started January 2023)	752 277	327 314	207 090	-	16 500	1 303 181
C. Ntimbani (Community Services - Started January 2023)	690 434	339 284	183 047	-	16 500	1 229 265
MA. Monyepao (Senior Manager Planning) resigned September 2022	235 855	78 618	33 456	-	3 000	350 929
TA. Monakedi (Planning and development - Started June 2023)	78 618	26 206	921	-	1 500	107 245
LI. Nkoane (Acting Chief Financial officer - up to September 2022)	174 279	69 206	49 441	106 112	-	399 038

47. Related parties (continued)

GT. Maponya (Acting Director for planning to May 2023)	299 676	121 620	157 519	93 924	-	672 739
	6 109 265	**2 126 067**	**758 591**	**200 036**	**106 300**	**9 300 259**

Councillors

2024

Name	Basic salary	Cellphone Allowance	Travel Allowance	Other	Sitting Allowance	Total
Cllr. PJ. Shayi	990 646	45 600	9 779	-	-	1 046 025
Cllr. NM. Maswanganyi	792 506	45 600	87 757	1 972	-	927 835
Cllr. SL Mohlala	404 948	-	307 805	-	1 136	713 889
Cllr. MH. Sefufi	742 769	45 600	211 465	-	-	999 834
Cllr. ML. Maloko	414 548	22 800	165 195	-	-	602 543
Cllr. NN. Baloyi	742 668	45 600	48 093	-	-	836 361
Cllr. CM. Ramathoka	1 727	-	22 524	-	30 681	54 932
Cllr. FM. Moroatshehla	14 456	-	46 594	-	-	61 050
Cllr. MMA. Mathebula	88 824	-	96 353	-	-	185 177
Cllr. TJ. Senyolo	11 571	-	30 155	-	-	41 726
Cllr. I. Hlungwana *	9 227	-	-	-	-	9 227
Cllr. RN. Sekgobela	648	-	12 637	-	12 500	25 785
Cllr. AT. Rabothata	11 571	-	26 858	-	-	38 429
Cllr. BT. Mabilo	11 571	-	-	-	-	11 571
Cllr. E. Hlungwani	402 324	22 800	53 674	-	-	478 798
Cllr. GE. Kobane**	11 571	-	9 502	-	-	21 073
Cllr. GN. Bokisi	9 227	-	-	-	-	9 227
Cllr. HD. Lebeya	313 500	22 800	27 142	-	-	363 442
Cllr. MG. Mangena	100 444	-	92 040	-	-	192 484
Cllr. MM. Mukhabele	715 182	24 300	139 088	-	-	878 570
Cllr. Mafemani Patrick. Hlungwani	10 612	-	-	-	-	10 612
Cllr. Mabandla Patrick. Hlungwani**	1 407	-	1 665	-	1 136	4 208
Cllr. MP. Matlou	100 395	-	15 472	-	-	115 867
Cllr. NH. Tshimbana	402 324	22 800	66 263	-	-	491 387
Cllr. NJ. Mbhalati	402 324	22 800	59 203	-	-	484 327
Cllr. PJ. Mampeule	100 395	-	21 767	-	-	122 162
Cllr. PS. Mothomogolo	103 113	-	47 353	-	-	150 466
Cllr. RT. Mavundza	313 140	22 800	72 108	-	-	408 048
Cllr. SP. Letebele	11 571	-	22 818	-	-	34 389
Cllr. WL. Mtebule*	9 227	-	-	-	-	9 227
Cllr. BA. Shibambu	100 395	-	65 084	-	-	165 479
Cllr. DJ. Mmetle Ramohlola**	666 817	42 982	116 415	-	-	826 214
Cllr. M. Lewele	712 416	45 600	126 291	-	-	884 307
Cllr. MD. Makhananisa	112 555	-	77 752	-	-	190 307
Cllr. MJ. Rakgoale	100 395	-	70 644	-	-	171 039
Cllr. MN. Madike	311 378	43 800	20 005	-	-	375 183
Cllr. MS. Magomane	414 484	22 800	53 546	-	-	490 830
Cllr. MW. Mohale	370 625	22 800	107 724	-	-	501 149
Cllr. NR. Khandlhela	710 256	45 600	61 878	-	-	817 734
Cllr. S. Mavasa	11 571	-	45 606	-	-	57 177
Cllr. SS. Mathebula	100 395	-	87 947	-	-	188 342
Cllr. C. Stoltz	2 418	-	27 725	-	34 089	64 232
Cllr. DG. Mkhabela	2 332	-	58 497	-	48 862	109 691
Cllr. ML. Ramalepe	1 209	-	32 992	-	20 454	54 655

Notes to the Annual Financial Statements

	2024 R	2023 R

47. Related parties (continued)

Cllr. SP. Mashumu	1 425	-	50 778	-	37 499	89 702
Cllr. TC. Letsoalo*	345	-	-	-	-	345
Cllr. WM. Maake	259	-	26 689	-	42 044	68 992
Cllr. EM. Mathaba*	605	-	-	-	-	605
Cllr. J. Mashele	2 009	-	50 571	-	51 134	103 714
Cllr. MC. Morwatshehla	2 245	-	42 818	-	51 134	96 197
Cllr. MS. Baloyi	1 339	-	42 601	-	17 045	60 985
Cllr. SB. Ramoshaba	1 209	-	36 779	-	21 590	59 578
Cllr. SM. Shayi	1 684	-	55 230	-	20 453	77 367
Cllr. MD. Selaelo	307 964	-	33 906	-	-	341 870
Cllr. TA. Mabaso	302 428	21 700	27 385	-	-	351 513
Cllr. Z. Ndhlovu	303 351	21 800	36 533	-	-	361 684
Cllr. MG. Letsoalo*	273 698	20 391	8 931	-	-	303 020
Cllr. D. Malemela*	-	-	2 424	-	6 818	9 242
Cllr. IN. Shivambo	9 090	-	17 786	-	1 136	28 012
Cllr. MS. Mangena	-	-	-	-	3 409	3 409
	12 069 333	**630 973**	**3 077 847**	**1 972**	**401 120**	**16 181 245**

* These Councillors resigned in the prior year.

** These Councillors resigned in the current year

2023

Name	Basic salary	Cellphone Allowance	Travel Allowance	Other	Sitting Allowance	Total
Cllr. PJ. Shayi	947 462	40 800	-	-	-	988 262
Cllr. NM. Maswanganyi	757 615	40 800	7 405	805	-	806 625
Cllr. SL Mohlala	310 264	-	313 789	-	-	624 053
Cllr. MH. Sefufi	687 404	40 800	200 500	-	-	928 704
Cllr. ML. Maloko	383 338	34 000	148 542	-	-	565 880
Cllr. NN. Baloyi	705 052	43 940	53 687	-	-	802 679
Cllr. CM. Ramathoka	331	-	37 838	-	40 808	78 977
Cllr. FM. Moroatshehla	14 060	-	58 865	-	-	72 925
Cllr. MMA. Mathebula	84 102	-	149 338	-	-	233 440
Cllr. TJ. Senyolo	10 955	-	31 557	-	1 360	43 872
Cllr. I. Hlungwana *	251 279	30 600	12 656	-	-	294 535
Cllr. RN. Sekgobela	1 740	-	10 289	-	14 026	26 055
Cllr. AT. Rabothata	10 955	-	46 771	-	-	57 726
Cllr. BT. Mabilo	10 955	-	-	-	-	10 955
Cllr. E. Hlungwani	380 927	34 000	80 945	-	-	495 872
Cllr. GE. Kobane	10 955	-	36 407	-	-	47 362
Cllr. GN. Bokisi *	251 576	30 832	33 949	-	-	316 357
Cllr. HD. Lebeya	296 825	34 000	25 423	-	-	356 248
Cllr. MG. Mangena	95 614	-	88 449	-	-	184 063
Cllr. MM. Mukhabele	506 549	34 000	106 832	-	-	647 381
Cllr. Mafemani Patrick. Hlungwani *	296 926	17 309	64 363	-	-	378 598
Cllr. Mabandla Patrick. Hlungwani	10 955	-	65 585	-	-	76 540
Cllr. MP. Matlou	94 838	-	28 547	-	-	123 385
Cllr. NH. Tshimbana	380 927	34 000	72 834	-	-	487 761
Cllr. NJ. Mbhalati	380 927	34 000	42 179	-	-	457 106
Cllr. PJ. Mampeule	95 057	-	30 026	-	-	125 083
Cllr. PS. Mothomogolo	92 573	-	40 233	-	-	132 806
Cllr. RT. Mavundza	296 825	34 000	85 054	-	-	415 879
Cllr. SP. Letebele	10 955	-	16 717	-	-	27 672
Cllr. WL. Mtebule	261 509	31 527	41 901	-	-	334 937

Notes to the Annual Financial Statements

					2024 R	2023 R

47. Related parties (continued)

Cllr. BA. Shibambu	95 057	-	73 815	-	-	168 872
Cllr. DJ. Mmetle Ramohlola	703 968	40 800	133 154	-	-	877 922
Cllr. M. Lewele	700 377	40 800	154 180	-	-	895 357
Cllr. MD. Makhananisa	106 569	-	90 663	-	-	197 232
Cllr. MJ. Rakgoale	95 057	-	56 471	-	-	151 528
Cllr. MN. Madike	282 870	40 800	27 451	-	-	351 121
Cllr. MS. Magomane	392 439	34 000	76 530	-	-	502 969
Cllr. MW. Mohale	296 825	34 000	94 164	-	-	424 989
Cllr. NR. Khandlhela	703 968	40 800	(6 713)	-	-	738 055
Cllr. S. Mavasa	10 955	-	51 111	-	-	62 066
Cllr. SS. Mathebula	95 057	-	112 432	-	-	207 489
Cllr. C. Stoltz	1 026	-	48 333	-	54 279	103 638
Cllr. DG. Mkhabela	563	-	43 557	-	50 969	95 089
Cllr. ML. Ramalepe	662	-	16 901	-	28 342	45 905
Cllr. SP. Mashumu	761	-	98 932	-	50 870	150 563
Cllr. TC. Letsoalo	364	-	5 168	-	11 297	16 829
Cllr. WM. Maake	529	-	-	-	1 136	1 665
Cllr. EM. Mathaba	563	-	8 107	-	15 809	24 479
Cllr. J. Mashele	794	-	45 607	-	50 969	97 370
Cllr. MC. Morwatshehla	794	-	67 845	-	47 527	116 166
Cllr. MS. Baloyi	596	-	34 217	-	31 618	66 431
Cllr. SB. Ramoshaba	728	-	31 956	-	28 309	60 993
Cllr. SM. Shayi	629	-	71 448	-	41 911	113 988
Cllr. MD. Selaelo	162 232	-	4 153	-	-	166 385
Cllr. TA. Mabasa	24 280	1 700	-	-	-	25 980
Cllr. Z. Ndhlovu	48 559	3 400	7 326	-	-	59 285
Cllr. MG. Letsoalo	24 280	1 700	-	-	-	25 980
	11 389 952	**752 608**	**3 277 489**	**805**	**469 230**	**15 890 084**

The municipality has discovered that it had made overpayment relating to remuneration of councillors which resulted in councillors owing the municipality the portion which was identified as overpayment. The municipality has made a repayment arrangement with the affected councillors and its in the process of recovering the overpaid portion.

The below listed councillors have an outstanding balance as at year ended 30 June 2024:

Councillors' balance owed to the municipality

The following relates to amounts owed by councillors emanating from overpayments of councillors remunerations in prior years. These balances are older than 90 days. No other amounts are owed by councillors.

Name		
Cllr. NM. Maswanganyi	12 812	12 812
Cllr. MH. Sefufi	9 913	21 014
Cllr. ML. Maloko	31 670	38 670
Cllr. NN. Baloyi	696 950	696 950
Cllr. CM. Ramathoka	29 966	29 966
Cllr. BT. Mathevula	11 999	11 999
Cllr. MSM. Lewele	10 403	30 691
Cllr. MC. Morwatshehla	11 267	28 447
Cllr. MW. Mohale	9 100	-
Cllr. MMA. Mathebula	4 913	-
	828 993	**870 549**

Prior period errors

The municipality identified errors in this disclosure which involved omission of two (2) councillors from the disclosure note. These were corrected retrospectively, and the effect is analysed in the table below:

Notes to the Annual Financial Statements

	2024	2023
	R	R

47. Related parties (continued)

Detail	Gross carrying Amount	Impairment	Carrying Amount
Amount previously reported	811 411	(790 397)	21 014
Cllr. MSM. Lewele [1]	30 691	-	30 691
Cllr. MC. Morwatshehla [1]	28 447	-	28 447
Amount restated	**870 549**	**(790 397)**	**80 152**

[1] The amount owed by these two councillors were omitted from the list in the previous year's financial statements and corrections have now been made retrospectively.

48. Prior-year adjustments

The Municipality's annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The basis is consistent with the prior year except for restatements reflected below.

The municipality identified errors affecting the reported financial statements of the previous financial years. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

The municipality identified errors affecting the reported financial statements of the previous financial years. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Reclassifications

During the current financial year, Municipal Council decided to change certain general ledger account classifications in the annual financial statements to achieve a more accurate presentation in the municipal annual financial statements. As a result of these reclassifications, the prior years were restated retrospectively in terms of GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The annual financial statement line items affected by these reclassifications were VAT receivable (Note 6) and VAT payable (Note 13). These reclassifications had no effect on the surplus previously reported in the prior year.

Reclassifications as reported in this set of financial statements relate to moving of account codes from one financial statement area to another as well as moving from a sub class of a financial statement area to another.

Disclosures

The municipality identified completeness and accuracy disclosure errors on Irregular expenditure (Note 54), commitments (Note 45), related parties (note 47) unauthorised expenditure (Note 52). Further statutory receivables relating to Grants receivable from DWS were omitted under “Statutory receivables” section of note 5. Receivables from non-exchange transactions and from note 59 Other Statutory receivables altogether. Details of the errors are disclosed in the relevant notes as indicated.

In the previous year, the Municipality disclosed WSIG schedule 6B grants and RBIG Mametja Sekororo grants revenue recognised as R153 523 217 and R35 303 251 respectively (being the same amount as receipts) instead of the R193 429 578 and R47 402 510 (the actual revenue recognised) (Note 23). This misstated the receivable closing balance on the note by R39 906 361 (WSIG 6B) and R12 099 259 (RBIG Mametja Sekororo).

The Municipality did not disclose the water losses completely and accurately in the previous year. This was due to not including all the schemes, omission of distribution losses and omission of Rand values of losses from the disclosure (Note 34).

The Municipal segment report (Note 57) for the previous year has been affected by prior period errors identified and corrected in other financial statement areas as detailed in this note.

These were all corrected retrospectively as required by GRAP 3.

Receivables from exchange transactions (Note 4), Service charges (Note 19) and intermunicipal loan accounts (Notes 4 and 12)

During the current financial year, errors were identified where the Municipality misstated its consumer debtors in the previous years. These were due to errors in impairment calculations, preparing financial statements that were not tying to general ledger, payroll, and billing reports. Also, errors in calculations of the agency fees due to the local municipalities were identified and corrected. There errors resulted in the district having differences between financial statements and underlying supporting documents. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts receivables and the related revenues were updated accordingly..

Accounts payable, general expenditure and accruals

During the current financial year, errors were identified where the Municipality had duplicated certain suppliers’ invoices, omitted recording of supplier invoices and or posted invoices in incorrect accounting periods. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts payable and the related expenditure were updated accordingly.

Notes to the Annual Financial Statements

	2024	2023
	R	R

48. Prior-year adjustments (continued)

Property, plant and equipment, Work in progress (WIP), depreciation, impairment and retentions

The municipality identified a multiple number of errors affecting property, plant and equipment and related depreciation, residual, values and impairment loss. In the previous years, some items of property, plant and equipment were recorded as expenses and some assets were duplicated in error. The municipality also incorrectly carried some completed project in WIP thereby understating completed assets and related depreciation. These have been corrected in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors..

VAT receivable (Note 6) and VAT Payable (Note 13)

In the previous year, the municipality incorrectly reported all VAT categories as net under “VAT receivable” category on the Statement of Financial Position. This was contrary to the guidance given by the ASB’s Fact sheet 11 - Classification of VAT. The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts yet. As there is no transaction to “settle” with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual “debit” and “credit” may be more appropriate. This has been corrected retrospectively in current year in line with GRAP 3 requirements.

Further, some errors relating to duplication and overstating VAT invoices were identified and corrected in current year in line with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Nature and effect of correction of errors

The nature and impact of corrections of these errors as well as reclassifications on the Financial Statements of the Municipality are as follows:

48. Prior-year adjustments (continued)

Nature of errors	Reported surplus	Accumulated surplus	Non-current Assets	Current assets	Non-current Liabilities	Current Liabilities
Assets duplicated on asset register	(1 280 106)	20 752 485	(19 472 379)	-	-	-
Assets expensed in repairs and maintenance	(321 080)	-	321 080	-	-	-
Assets replaced not derecognised	(18 575)	130 280	(111 705)	-	-	-
Boreholes not recorded on asset register	-	-	465 239	69 786	-	(535 025)
Containers not recognised in asset register	57 400	(1 361 402)	1 304 002	-	-	-
Misstatement in receivables	-	-	-	(20 274)	-	20 274
Workman Compensation fund invoices not recorded in general ledger	3 041 209	-	-	-	-	(3 041 209)
Staff debtor repayment understated	-	-	-	(3 000)	-	3 000
Greater Giyani debtors' impairment misstatements	2 773 287	25 583 199	-	(28 356 486)	-	-
Greater Letaba debtors' impairment misstatements	(901 686)	(593 309)	-	1 494 996	-	-
Greater Tzaneen debtors' impairment misstatements	(36 624 929)	49 282 838	-	(12 657 909)	-	-
Maruleng debtors' impairment misstatements	241 616	(870 717)	-	629 101	-	-
Ba-Phalaborwa debtors' impairment misstatements	(81 365 069)	64 985 962	-	16 379 107	-	-
Residual values of other property plant and equipment misstated	-	16 194 742	(16 194 742)	-	-	-
Infrastructure depreciation misstated	1 020	416	(1 436)	-	-	-
Impairment of Kgapane waste water treatment works	545 464	-	(545 464)	-	-	-
DWS invoices overstated	(30 532 300)	-	-	-	-	30 532 300
BPLM service charges misstated	(26 944 270)	-	-	26 944 270	-	-
SALGA membership levy 2023	4 481 845	-	-	-	-	(4 481 845)
Consumer deposit misstated	-	-	-	85 550	-	(85 550)
Buildings not in the asset register	4 601	(115 015)	110 414	-	-	-
Finished capital projects not capitalised	7 229 089	22 651 700	(29 880 790)	-	-	-
Ba-Phalaborwa loan impairment misstatements	31 071 460	-	-	(31 071 460)	-	-
Giyani agency fees misstated	(2 292 343)	-	-	(343 851)	-	2 636 194
MDM Closing Water inventory	(4 490)	-	-	4 490	-	-
Depreciation misstatements	74 290	-	(74 290)	-	-	-
Trade payables not split between current and non-current portions	-	-	-	-	(834 241 290)	834 241 290
	(130 763 567)	**196 641 179**	**(64 080 071)**	**(26 845 680)**	**(834 241 290)**	**859 289 429**

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

48. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	3	32 732 935	4 490	-	32 737 425
Receivables from exchange transactions (Current)	4	122 849 288	(22 511 191)	-	100 338 097
Receivables from exchange transactions (Non - Current)	4	46 400 000	-	-	46 400 000
VAT receivable	6	59 222 219	(274 066)	246 861 499	305 809 652
Cash and cash equivalents	7	18 477 337	-	-	18 477 337
Receivables from non exchange transactions	5	52 005 619	-	-	52 005 619
Operating lease asset (Current)	11	699 568	-	-	699 568
Operating lease asset (Non - Current)	11	2 623 379	-	-	2 623 379
Property, plant and equipment	8	8 987 096 606	(64 080 070)	-	8 923 016 536
Intangible assets	9	2 804 853	-	-	2 804 853
Heritage assets	10	432 000	-	-	432 000
Payables from exchange transactions (Current)	12	(1 744 669 967)	859 351 705	-	(885 318 262)
Payables from exchange transactions (Non - Current)		-	(834 241 290)	-	(834 241 290)
VAT payable	13	-	(4 041 640)	(246 861 499)	(250 903 139)
Consumer deposits	14	(4 005 535)	(85 550)	-	(4 091 085)
Employee benefit obligation (Current)	15	(6 130 359)	-	-	(6 130 359)
Employee benefit obligation (Non - Current)	15	(79 012 605)	-	-	(79 012 605)
Unspent conditional grants and receipts	17	(106 936 475)	-	-	(106 936 475)
Accumulated surplus		(7 384 588 863)	65 877 612	-	(7 318 711 251)
		-	-	-	-

Statement of financial performance

48. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Restated
Service charges	19	239 259 968	26 944 270	266 204 238
Interest charged on overdue consumer accounts	20	94 451 604	-	94 451 604
Other income	21	11 282 655	-	11 282 655
Interest received - Investment	22	11 463 425	-	11 463 425
Government grants and subsidies	23	1 944 364 604	-	1 944 364 604
Public contributions and donations	25	58 700	-	58 700
Services in kind revenue	26	2 953 200	-	2 953 200
Other non-exchange income	27	658 272	-	658 272
Employee related costs	28	(485 368 972)	(3 041 209)	(488 410 181)
Remuneration of councillors	29	(15 890 084)	-	(15 890 084)
Depreciation and amortisation	30	(232 733 985)	(6 074 669)	(238 808 654)
Finance costs	31	(50 876 843)	-	(50 876 843)
Lease rentals on operating lease	32	(699 568)	-	(699 568)
Debt Impairment	33	(434 502 442)	84 805 322	(349 697 120)
Inventory consumed and bulk purchases	34	(225 999 176)	30 536 789	(195 462 387)
Contracted services	35	(102 238 026)	2 292 343	(99 945 683)
Transfers and Subsidies	36	(1 143 000)	-	(1 143 000)
Operating Expenses	37	(176 491 054)	(4 481 845)	(180 972 899)
Consulting and professional fees	38	(68 982 955)	-	(68 982 955)
Repairs and maintenance	39	(61 890 656)	328 030	(61 562 626)
VIP Toilets	27	(66 339 304)	-	(66 339 304)
Notional expenses	26	(2 953 200)	-	(2 953 200)
Loss on disposal of assets and liabilities		(1 435 969)	-	(1 435 969)
Actuarial gains/losses	15	10 521 517	-	10 521 517
Impairment loss	41	(16 416 952)	(545 464)	(16 962 416)
Surplus for the year		**371 051 759**	**130 763 567**	**501 815 326**

Cash flow statement

2023

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Cash flow from operating activities	43	687 683 666	(51 952 157)	635 731 509
Cash flow from investing activities		(698 684 946)	51 952 151	(646 732 795)
Cash flow from financing activities		(306 400)	-	(306 400)
		(11 307 680)	**(6)**	**(11 307 686)**

The impact of these errors for the opening accumulated surplus at 01 July 2022 is reconciled as tabulated below:

Details	
Total cumulative effect of error corrections on surplus	(65 877 612)
Total effect of error corrections on surplus of 2021/2022 financial year	(130 763 567)
Effect on the accumulated surplus as at 01 July 2022	**(196 641 179)**

	2024 R	2023 R

49. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet Its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policies.

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

The following are the contractual maturities of the financial liabilities, including interest payments and excluding the impact of netting agreements:

2024	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Payables from exchange transactions	1 847 327 258	1 847 327 258	1 847 327 258	-
Consumer deposits	4 039 483	4 039 483	4 039 483	-
	1 851 366 741	**1 851 366 741**	**1 851 366 741**	**-**

2023	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Payables from exchange transactions	1 661 883 412	1 661 883 412	1 661 883 412	-
Consumer deposits	4 091 085	4 091 085	4 091 085	-
	1 665 974 497	**1 665 974 497**	**1 665 974 497**	**-**

Credit risk

Investment

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

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

Trade receivables

Trade receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the
exposure to credit risk is monitored continuously.

The municipality establishes an allowance for doubtful debts that represents its estimate for anticipated losses in respect of receivables. Payments of accounts of consumer debtors which are unable to pay are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

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

Notes to the Annual Financial Statements

	2024 R	2023 R

49. Risk management (continued)

Financial instrument		
Cash and cash equivalents	180 979 567	18 477 337
Receivables from exchange transactions	98 081 683	145 823 387
	279 061 250	**164 300 724**

The municipality invested excess funds in call accounts at tiered interest rates per annum for financial year ended 30 June 2024.

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

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings:

Credit rating - Standard & Poor's		
Firstrand Bank Limited: zaA-1 +	180 738 872	18 511 262

Market risk

Interest rate risk

As the municipality has no significant interest-bearing financial liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates except for the effect of interest received on cash placed on call accounts.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months is made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of many consumers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions - normal credit terms	12,38 %	98 081 683	-	-	-	-
Cash in current banking institutions	Tiered	180 738 872	-	-	-	-
		278 820 555	**-**	**-**	**-**	**-**

50. Going concern

We draw attention to the fact that at 30 June 2024, although the Municipality had an accumulated surplus of R 8 040 358 144 and that the Municipality's total assets exceed its liabilities by R 8 040 358 144, its current liabilities exceeded its current assets by R(882 477 350) (2023 :R(743 311 626)). This fact on its own does not prevent the Municipality to continue being a going concern given that going concern implies that the Municipality will be in existence within 12 months of the balance sheet dates.

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.

Realisation of assets

Major assets of the Municipality are liquid and can be realised for market value as and when the need arises. This is positive on the going concern assessment.

Commitments

50. Going concern (continued)

The municipality has commitments amounting to R1 304 688 100 at the end of the year. These are backed by the approved grants (MIG, WSIG 6B). Further, to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

- There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.
- There is no change in the legislation that impact on the Municipality's ability to continue as a going concern.
- There are plans to ensure that there is effective spending of funds.

Other factors affecting going concern are as follows:-

The following factors if not monitored could undermine the going concern assumptions indicated above they were not properly managed as indicated.

- The Municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The local municipalities are appointed as service providers and the district municipality is the Water Service Authority.
- The Municipality has made significant improvements in it cash position and has been able to settle all its operating obligations within the required period (30 Days) and has also entered into settlement arrangements with Lepelle Northern Water whose obligation is R335 792 029 (2023: R450 474 201) and Department of Water and Sanitation with amount owed of R387 543 040 (2023: R383 234 790). This has a positive impact on going concern assessment.
- The municipality does have equivalent cash reserves to honour the contingent obligations to the value of R155 398 859 (2023: R174 259 418) should they fall due. Current settlements, reflect the municipality winning most of the cases even though they happened after reporting date. This has a positive impact on the going concern assessment.

Conclusion

Based on the above assessment done, the Municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2024 under the going concern assumption. The Municipality will continue with its endeavours to Increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

The Municipality continues to manage the mentioned risks individually in order to ensure that there do not pose major threat to going concern.

51. Events after the reporting date

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

Notes to the Annual Financial Statements

	2024 R	2023 R

52. Unauthorised expenditure

	2024 R	2023 R
Opening balance as previously reported	1 543 460 156	1 303 588 960
Add: Unauthorised expenditure - current	422 689 099	484 838 436
Less: Amount written off	-	(244 967 240)
Closing balance	**1 966 149 255**	**1 543 460 156**

Unauthorised expenditure: Budget overspending – per municipal department:

	2024 R	2023 R
Municipal Manager	35 623 602	16 290 977
Finance	90 616 307	64 546 845
Corporate service	28 694 766	18 235 548
Water distribution	257 513 822	354 456 973
Vote 5: Technical Services	2 776 326	-
Waste Water Management	2 262 863	4 149 817
Planning and development	4 258 982	19 678 708
Mayor and Council	868 662	3 038 130
Public Safety	73 769	9 582
Health	-	4 431 856
	422 689 099	**484 838 436**

Breakdown by type of expenditure

Operating expenditure	422 689 099	484 838 436

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes: overspending of the total amount appropriated in the municipality's approved budget; overspending of the total amount appropriated for a vote in the approved budget expenditure from a vote unrelated to the department or functional area covered by the vote; expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Amount under investigation

Unauthorised expenditure incurred in the previous year is still under investigation by the Municipal Public Accounts Committee (MPAC).

Causes of unathorised expenditure

The unauthorised expenditure was due to under budgeted items in the various departments.

Prior period errors

In the current year the municipality identified and corrected some errors for the 2023 financial year, relating to understatement of unauthorised expenditure. This was due to using incorrect general ledger figures in calculating the expenditure by management. This was corrected retrospectively, and the details are tabulated below:

Details	Amount R
Unauthorised expenditure as previously reported for 2023 financial year	1 647 279 454
Less unauthorised expenditure overstated in the previous year	(103 819 297)
Restated amount	**1 543 460 157**

Notes to the Annual Financial Statements

	2024 R	2023 R

53. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	472 381 318	493 774 529
Add: Fruitless and wasteful expenditure identified - current	63 731 230	40 946 021
Less: Amount written off - current	-	(43 516 843)
Less: Amount written off by suppppliers	(9 952 251)	(18 822 389)
Closing balance	**526 160 297**	**472 381 318**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest incurred on late payment of suppliers	None	63 731 230	40 946 021

The interest charged on debt owed to the Department of Water and Sanitation and Lepelle Northern Water contributed the biggest amounts to the fruitless and wasteful expenditure disclosed above. The breakdown is presented here:

Supplier		
Department of Water Affairs	32 023 695	18 851 858
Lepelle Northern Water	31 607 730	22 071 177
Eskom	98 329	12 873
Other	1 476	10 113
	63 731 230	**40 946 021**

54. Irregular expenditure

	2024	2023
Opening balance as previously reported	1 349 142 862	1 430 189 569
Add: Irregular expenditure - current	7 662 179	51 694 817
Prior period correction	-	(2 803 402)
Less: Amount written off - prior period	-	(129 938 122)
Closing balance	**1 356 805 041**	**1 349 142 862**

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

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM policy	None	7 662 179	51 694 817

Amount written-off

Amount under investigation

Irregular expenditure from the previous year is still under investigation by MPAC.

	2024 R	2023 R

54. Irregular expenditure (continued)

Prior period adjustment

In the current year, the restatements have been made to amounts previously disclosed in prior year. This was because the irregular expenditure was overstated the 2022/2023 financial year. This overstatement was due to incorrectly concluding that there was no formal way used by the municipality in allocating work to engineers on the panel. Below is the breakdown of the identified expenditure:

Non-compliance with Supply Chain Management regulation	Amount
No formal allocation of work for suppliers on the panel	2 803 402

In the current year, the restatements have been made to amounts previously disclosed in prior years. This was due to the fact that the municipal irregular expenditure was overstated from the 2022/2023 financial year. The table below details the impact of corrections of these errors on the previously reported amounts:

Details	Amount
Irregular Expenditure as previously reported	1 351 946 264
Less: Overstatement of Irregular Expenditure (Detailed Above)	(2 803 402)
Restated balance	**1 349 142 862**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

	2024 R	2023 R
Current year subscription / fee	11 420 278	12 003 118
Amount paid - current year	(11 420 278)	(12 003 118)
	-	-

PAYE and UIF

	2024 R	2023 R
Opening balance	(1 988)	6 229 183
Current year subscription / fee	73 808 756	75 991 976
Amount paid - current year	(73 806 768)	(82 223 147)
	-	**(1 988)**

Pension and Medical Aid Deductions

	2024 R	2023 R
Opening balance	-	6 561 445
Current year subscription / fee	61 390 143	55 005 607
Amount paid - current year	(61 390 143)	(61 567 052)
	-	-

VAT

	2024 R	2023 R
VAT receivable	375 750 623	305 809 653
VAT payable	(287 366 701)	(250 903 140)
	88 383 922	**54 906 513**

VAT output payables and VAT input receivables are shown in note 6 and note 13 respectively.

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

Notes to the Annual Financial Statements

	2024 R	2023 R

56. Deviation from supply chain management regulations

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

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

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the period amounted to R2 449 249 (2023: R12 422 965) which has been tabled to council for noting in terms of Section 36(2). Paragraph 12{1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements Major deviations related to emergency procurement of water related services since water is an essential service (water supply).

The amount for deviations consists of the following categories that make up the disclosed balance:

Category/Item	2024	2023
Sole Supplier	1 027 617	721 346
Other	-	11 425 619
Emergency	1 421 632	276 000
	2 449 249	**12 422 965**

57. Segment information

General information

Identification of segments

The municipal management is organised and reports to Council on the basis of five (5) major functional areas: Community services, Engineering Services, Mayor and Council, Planning and development and Water services. The segments were organised around the type of service delivered and the target community. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the jurisdiction of Mopani District. Segments were aggregated on the basis of services delivered as council considered that the economic characteristics of the segments throughout the district were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community services	Provision of fire services, health services, sports and recreation services to the community.
Engineering Services	Provision of project management services. Water infrastructure construction, maintenance.
Planning and development	Responsible for local economic development, spatial planning.
Water services	Provision of water and sanitation services to the community.
Mayor and Council	The council is responsible for governing the local area, provision of service delivery of municipal services to local residents and provision of political oversight to administration.

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from non-exchange transactions	12 797	18 012 386	-	8 226 000	1 043 326 746	1 069 577 929
Revenue from exchange transactions	970	663 560	27 860	689	219 779 195	220 472 274
Interest revenue	-	-	-	-	112 147 777	112 147 777
Total segment revenue	**13 767**	**18 675 946**	**27 860**	**8 226 689**	**1 375 253 718**	**1 402 197 980**
Unallocated Interest revenue						27 775 043
Other unallocated revenue						1 293 570 591
Total revenue reconciling items						**1 321 345 634**
Entity's revenue						**2 723 543 614**
Expenditure						
Employee related costs	126 404 649	23 502 348	20 576 468	17 846 080	218 621 046	406 950 591
Remuneration of councillors	-	-	16 181 245	-	-	16 181 245
Depreciation and amortisation	10 996 088	-	-	7 525 302	272 713 626	291 235 016
Interest expense	-	-	-	-	2 006 291	2 006 291
Debt Impairment	-	-	-	-	297 652 650	297 652 650
Inventory consumed and bulk purchases	-	-	-	-	266 909 886	266 909 886
Contracted services	-	-	-	-	14 236 642	14 236 642
Operating Expenses	6 191 435	2 222 703	4 392 253	30 856 962	128 331 940	171 995 293
Consulting and professional fees	-	7 816 162	-	9 286 452	-	17 102 614
Repairs and maintenance	1 907 988	672 968	-	-	88 567 881	91 148 837
VIP Toilets	-	-	-	-	5 024 573	5 024 573
Actuarial gains/losses	-	-	-	-	(18 563)	(18 563)
Total segment expenditure	**145 500 160**	**34 214 181**	**41 149 966**	**65 514 796**	**1 294 045 972**	**1 580 425 075**
Total segmental surplus/(deficit)	**(145 486 393)**	**(15 538 235)**	**(41 122 106)**	**(57 288 107)**	**81 207 746**	**(178 227 095)**

57. Segment information (continued)

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Interest expense						(71 824 456)
Unallocated expenses						(349 647 173)
Total revenue reconciling items						1 321 345 634
Entity's surplus for the period						**721 646 910**
Assets						
Segment assets	54 861 935	37 086 662	593 653	8 650 379	789 278 333	890 470 962
Unallocated assets						9 524 411 860
Total assets as per Statement of financial Position						**10 414 882 822**
Liabilities						
Segment liabilities	141 519 806	5 763 360	946 516	1 139 596	456 026 559	605 395 837
Unallocated liabilities						1 769 128 841
Total liabilities as per Statement of financial Position						**2 374 524 678**

2023

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from non-exchange transactions	66 112	11 946 952	-	10 600 000	697 267 031	719 880 095
Revenue from exchange transactions	-	-	110	-	266 263 486	266 263 596
Interest revenue	-	-	-	-	94 451 604	94 451 604
Total segment revenue	**66 112**	**11 946 952**	**110**	**10 600 000**	**1 057 982 121**	**1 080 595 295**
Interest revenue						11 463 425
Other unallocated revenue						1 239 377 976
Total revenue reconciling items						**1 250 841 401**

Notes to the Annual Financial Statements

57. Segment information (continued)

Entity's revenue						**2 331 436 696**
Expenditure						
Employee related costs	125 403 919	17 032 932	19 719 849	39 704 538	204 590 213	406 451 451
Remuneration of councillors	-	-	15 890 084	-	-	15 890 084
Depreciation and amortisation	487 110	-	2 551 402	-	220 570 484	223 608 996
Finance costs	-	-	-	-	1 878 839	1 878 839
Debt Impairment	-	-	-	-	341 473 703	341 473 703
Inventory consumed and bulk purchases	-	-	-	-	195 462 386	195 462 386
Contracted services	-	-	-	-	17 215 296	17 215 296
Transfers and Subsidies	-	-	1 143 000	-	-	1 143 000
Operating Expenses	12 196 148	1 382 646	6 635 436	7 538 088	108 539 119	136 291 437
Consulting and professional fees	-	18 616 720	-	-	-	18 616 720
Repairs and maintenance	506 416	439 254	-	-	60 597 816	61 543 486
VIP Toilets	-	-	-	-	66 339 304	66 339 304
Actuarial gains/losses	-	-	-	-	(3 662 971)	(3 662 971)
Total segment expenditure	**138 593 593**	**37 471 552**	**45 939 771**	**47 242 626**	**1 213 004 189**	**1 482 251 731**
Total segmental surplus/(deficit)	**(138 527 481)**	**(25 524 600)**	**(45 939 661)**	**(36 642 626)**	**(155 022 068)**	**(401 656 436)**
Total revenue reconciling items						1 250 841 401
Interest expense						(48 998 005)
Unallocated expenses						(298 371 626)
Entity's surplus for the period						**501 815 334**
Assets						
Segment assets	41 808 879	35 860 150	552 320	6 650 016	574 652 385	659 523 750
Unallocated assets						8 825 820 722
Total assets as per Statement of financial Position						**9 485 344 472**
Liabilities						
Segment liabilities	141 591 565	4 001 452	1 504 783	320 841	455 549 375	602 968 016
Unallocated liabilities						1 563 665 206

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
57. Segment information (continued)						
Total liabilities as per Statement of financial Position						**2 166 633 222**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Mopani District in Limpopo Province.

58. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangements.

Details of the arrangment(s) are as follows:

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality. In terms of the agreements, the five local municipalities are to sell water to the consumers on behalf of MDM in return for an agency fee which is based on the cash collections as well as profit from water and sanitation trading.

Entity as principal

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

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality.

In terms of the agreements, the five local municipalities are to sell water and provide sanitation services to the consumers on behalf of Mopani District Municipality (MDM).

	2024 R	2023 R

58. Accounting by principals and agents (continued)

As the principal agent MDM is liable for agency fees to each local municipality as disclosed in note 35. All cash collections by the locals are payable to MDM, and all water related expenses are to be reimbursed by MDM. The nature of expenses paid by the locals on behalf of MDM, includes inter alia, bulk water purchases, salaries of employees in the water department, contracted services, repairs and maintenance of water related infrastructure. These expenses are disclosed under the respective financial statements line items of the District Municipality.

Historically, there hasn't been cash payments/receipts between the principal and agents and all amounts owed to/by the local municipalities were netted off and disclosed in the inter-municipal loan accounts. However, in the current year, one of the local municipalities, Greater Letaba Local Municipality started servicing its loan and has paid R3 874 130 in the current year. The amount payable or receivable are disclosed under Payables from exchange transaction note 12 or Receivables from exchange transactions note 4.

The Local Municipalities are in full control of the billing systems and apply their credit control policies in managing MDM's consumer debtors. There were no changes to any significant terms and conditions of this agreement during the current reporting period.

MDM is entitled to all income and is liable for all expenses relating to water transactions at the local municipalities. The risk of non-payment by the customer, and variations due to increase/decrease in selling prices of water and sanitation services are bone by MDM.

Benefits and Risks

Non-payment risks of amounts receivable from the Local Municipalities is considered to be significant. However, as an alternative recovery method, the Local Municipalities are required to incur expenses relating to water related activities for reimbursement by MDM. These costs are not reimbursed directly by MDM but netted off against amounts receivable from the local municipalities.

Claims from Greater Tzaneen Municipality are limited to R30 000 000 per annum, any excess amount is recognised as part of other income.

Fees payable

Agency fees incurred as compensation to the agent	12 511 705	14 582 542

There are fees payable to the Local Municipalities as agents. These are based on a percentage of cash collected for water and sanitation receivables for all the other 4 local municipalities while the agreement of Ba-Phalaborwa provides for this calculation based on the volumes of water distributed (sold) to consumers. However, no physical cash has been paid over but agency fees owed to the agents were raised as a payable and netted off with the other intermunicipal loan accounts under payables from exchange transactions in note 12 - payables from exchange transactions and note - receivables from exchange transactions.

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

Should the principal agent arrangement be terminated, Mopani District Municipality will take over the responsibility from the 5 local municipalities. The costs to be incurred will mainly include, obtaining of a billing system and other resources to enable sale of water to consumers within the district.

Prior period errors

This disclosure has been restated for prior years following discovery that the agreement between the Department of Water Affairs and Mopani District Municipality does not constitute any agent/principal relationship in terms of GRAP. The accounting for the related assets, liabilities and revenue has been corrected retrospectively and so has been the related disclosure on principal/agent relationships.

Notes to the Annual Financial Statements

	2024 R	2023 R
59. Other statutory receivables		
VAT due from SARS	20 859 696	69 458 683
This represents amount of VAT that is receivable from the South African Revenue Service following the submission of the returns. Refer to note 6.		
Grants receivable This relates to Grants receivable from DWS for projects work completed. (Refer to note 5).for further details.	126 862 075	52 005 619
	147 721 771	**121 464 302**

Statutory receivables general information

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the South African Revenue Service (SARS) is included as part of VAT receivables in the Statement of Financial Position. Once payments are received or paid, the VAT returns are submitted to SARS and the resultant VAT receivable from SARS is accounted as statutory receivables. No interest is charged on outstanding VAT receivable from the South African Revenue Service. Also no impairment is recognised on this receivable since SARS always settles the VAT receivable in time.

Funding receivable from DWS represents grants payable by DWS to the municipality upon completion of work done. In terms of the grant arrangements, the municipality first appoints contractors and performs the work on the projects and then uses the value of work performed to claim from the DWS. The receivable at the end of year represents invoices claimed from the DWS but not yet received at year end.

Prior period error

In the previous financial year, the Municipality omitted Grant receivables from DWS from disclosure of “Other Statutory receivables” in error. This has now been corrected retrospectively in line with GRAP 3 requirements.