Vhembe District Municipality
Annual Financial Statements
for the year ended June 30, 2024

General Information

Legal form of entity	District Municipality Category C
Nature of business and principal activities	Providing municipal services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Grading of the municipality	Four (4)
Mayoral committee	
Executive Mayor	Councillor TF Nkondo
Speaker	Councillor DA Nenguda
Chief Whip	Councillor ME Muhlope
Members of the Mayoral Committee	Councilor NCR Mathukha Councillor MG Chauke Councillor AM Mamedzi Councillor ADV. NA Mudunungu Councillor SM Sinyosi Councillor T Mundalamo Councillor RG Machovani Councillor NS Munyai Councillor TJ Bila Councillor AV Kotane Councillor NJ Mukwevho
Accounting Officer	ZN Kutama
Chief Finance Officer (CFO)	M Thangavhuelelo
Registered office	Old Parliament Building Thohoyandou 0950
Postal address	Private Bag X5006 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor General South Africa
Audit Committee	Ms. F.S Tshikhudo (CIA)(CRMA) E-MBA BCOMM (HONS) PGD RISK MAN PGD ACC SCIENCES Chairperson Mr. T.G Nevhutalu CA(SA) PGD ACCOUNTING BCOMM ACCOUNTING Member Mr. F.O Ndou CRM Prac (SA), BAP (SA, GTP (SA) Member (01 June 2021-January 2022) Currently Appointed Chairperson of the Risk Management Committee Mr. P. Rambuda CA(SA) BCOMM (HONS) Member Dr. D. Konar CA(SA) DOCTOR OF COMMERCE MASTER OF COMMERCE MASTER OF ACCOUNTING PAAg CERTIFIED Member Adv E.N Lambani (LL Property Law)(LLB) member

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 judgments 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 June 30, 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 municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6 - 91.

The annual financial statements set out on page 6- 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Kutama.

ZN Kutama
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 394,682,114 (2023: surplus R 507,336,541)

2. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus (deficit) of R 6,392,940,563 and that the municipality's total assets exceed its liabilities by R 6,392,940,563.

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 municipality is substantially dependent on the government for continued funding of operations.

The ability of the municipality to continue as a going concern is dependent on a number of factors.
The following factors support going concern assumption:

There is no intention to cease operation and municipal budget for MTERF period is support this.
The municipality has a healthy solvency and liquidity ration.
The municipality continue to achieve net surplus for 2023 and 2022 financial year
There are no material commitments or litigation at balance sheet date that threatens the going concern assumption.

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared 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. Corporate governance

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Audit Committee

The audit committee was established in terms of section 166 of the MFMA . Ms. F.S Tshikhudo was the chairperson of the audit committee for the year under review.

National Treasury policy requires that municipalities should appoint other members of the municipality's audit committees who are not Councillors of the municipality onto the audit committee of which the municipality has complied with..

Internal audit

In terms of section 165 of the Municipal Finance Management Act, each municipality and each municipal entity must have an internal audit unit of which it was incompliant with.

Accounting Officer's Report

6. Bankers

The municipality has its primary bank account with First National Bank.

7. Auditors

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

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	2	190,698,654	150,073,641
Receivables from exchange transactions	3	33,989,744	74,303,806
Receivables from non-exchange transactions	4	35,585,133	39,874,806
VAT receivable	5	-	253,551,591
Cash and cash equivalents	6	513,349,819	130,688,142
		773,623,350	**648,491,986**
Non-Current Assets			
Property, plant and equipment	7	6,661,654,459	6,140,579,986
Intangible assets	8	5,061,795	6,455,473
		6,666,716,254	**6,147,035,459**
Total Assets		**7,440,339,604**	**6,795,527,445**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	626,258,957	671,090,306
Taxes and transfers payable (non-exchange)	10	2,086,000	2,086,000
VAT payable	11	271,964,259	-
Consumer deposits	12	4,409,170	4,409,170
Unspent conditional grants and receipts	13	59,380,177	41,416,471
Provisions	14	74,759,768	70,768,293
		1,038,858,331	**789,770,240**
Non-Current Liabilities			
Provisions	14	8,540,710	7,498,755
Total Liabilities		**1,047,399,041**	**797,268,995**
Net Assets		**6,392,940,563**	**5,998,258,450**
Accumulated surplus		6,392,940,563	5,998,258,450
Total Net Assets		**6,392,940,563**	**5,998,258,450**

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	344,516,366	644,536,959
Interest on Investments	16	48,030,627	28,590,547
Sale of goods and rendering of services	17	1,290,803	961,252
Operational revenue	18	2,531,223	53,269
Rental of facilities and equipment	19	-	942
Interest on Receivables	20	106,232,338	77,251,173
Licences and permits	21	137	442
Total revenue from exchange transactions		**502,601,494**	**751,394,584**
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits	22	356,242	270,785
Transfer revenue			
Government grants & subsidies	23	2,078,361,983	1,927,666,681
Total revenue from non-exchange transactions		**2,078,718,225**	**1,927,937,466**
Total revenue		**2,581,319,719**	**2,679,332,050**
Expenditure			
Employee related costs	24	(779,426,434)	(706,417,968)
Remuneration of councillors	25	(16,100,308)	(14,693,785)
Depreciation and amortisation	26	(164,177,587)	(186,175,002)
Debt Impairment	27	(439,819,561)	(625,337,331)
Contracted services	28	(291,178,161)	(231,692,413)
Operational expenses	29	(244,557,806)	(193,089,577)
Inventory consumed	30	(236,723,590)	(200,931,010)
Impairment losses	31	(10,679,590)	(7,366,579)
Lease rentals on operating lease	32	(3,668,788)	(3,326,266)
Finance costs	33	(305,780)	(2,565,578)
Transfers and Subsidies	34	-	(400,000)
Total expenditure		**(2,186,637,605)**	**(2,171,995,509)**
Surplus for the year		**394,682,114**	**507,336,541**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	5,285,213,360	5,285,213,360
Adjustments		
Correction of errors - refere to note 41	205,708,549	205,708,549
Balance at July 1, 2022 as restated*	**5,490,921,909**	**5,490,921,909**
Changes in net assets		
Surplus for the year	507,336,541	507,336,541
Total changes	507,336,541	507,336,541
Restated* Balance at July 1, 2023	**5,998,258,449**	**5,998,258,449**
Changes in net assets		
Surplus for the year	394,682,114	394,682,114
Total changes	394,682,114	394,682,114
Balance at June 30, 2024	**6,392,940,563**	**6,392,940,563**
Note(s)		

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		581,048,728	(48,830,452)
Grants		2,096,325,689	1,956,121,029
Interest revenue		48,030,627	28,590,547
Other receipts		4,178,405	1,286,690
		2,729,583,449	1,937,167,814
Payments			
Employee costs		(790,493,312)	(718,572,658)
Suppliers		(861,584,704)	(512,128,768)
Finance costs		(305,780)	(2,565,578)
		(1,652,383,796)	(1,233,267,004)
Net cash flows from operating activities	35	**1,077,199,653**	**703,900,810**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(694,462,975)	(703,925,697)
Purchase of other intangible assets	8	(75,000)	(1,180,435)
Net cash flows from investing activities		**(694,537,975)**	**(705,106,132)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**382,661,678**	**(1,205,322)**
Cash and cash equivalents at the beginning of the year		130,688,142	131,893,380
Cash and cash equivalents at the end of the year	6	**513,349,820**	**130,688,058**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods and rendering of services	850,000	186,860	**1,036,860**	1,290,803	**253,943**	
Service charges	931,351,813	(171,588,505)	**759,763,308**	344,516,366	**(415,246,942)**	The significate variance is due to the meter Adjustment made in 2024, affecting the service charges for prior years (2022 and 2023 financial year) resulting to correction of the prior year error adjustment made. Billing customers through actual reading than estimation 2024..
Rental of facilities and equipment	2,004	(2,005)	**(1)**	-	**1**	
Interest on receivables	78,349,000	3,262,705	**81,611,705**	106,232,338	**24,620,633**	The significate variance on interest on receivables is due to the high debt book eminating from the billing through averaging than actual readings in prior years, resulting to 7% interest charged on outstanding debtors.
Licences and permits	-	275	**275**	137	**(138)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operational revenue	126,000	(126,000)	-	2,531,223	**2,531,223**	Ths is due to the write-off of the interest amount by Lepelle Northen water which was not budgeted for in the 2023/2024 Budget.
Interest on investments	24,308,000	15,062,000	**39,370,000**	48,030,627	**8,660,627**	The increase in transfers resulting in an interest received from our bank accounts, thefore there was much cash in the accounts to gain interest, and this is mainly due to SARS transfers during the financial year.
Total revenue from exchange transactions	**1,034,986,817**	**(153,204,670)**	**881,782,147**	**502,601,494**	**(379,180,653)**	
Revenue from non-exchange transactions						
Taxation revenue						
Licences and Permits (Non-exchange)	6,431,885	(6,051,465)	**380,420**	356,242	**(24,178)**	
Transfer revenue						
Government grants & subsidies	2,098,611,302	(10,599,440)	**2,088,011,862**	2,078,361,983	**(9,649,879)**	Unspent conditional grant due to community protests
Total revenue from non-exchange transactions	**2,105,043,187**	**(16,650,905)**	**2,088,392,282**	**2,078,718,225**	**(9,674,057)**	
Total revenue	**3,140,030,004**	**(169,855,575)**	**2,970,174,429**	**2,581,319,719**	**(388,854,710)**	
Expenditure						
Employee related costs	(809,595,883)	29,260,674	**(780,335,209)**	(779,426,434)	**908,775**	
Remuneration of councillors	(20,818,359)	4,718,051	**(16,100,308)**	(16,100,308)	**-**	
Depreciation and amortisation	(210,436,368)	1,157,585	**(209,278,783)**	(164,177,587)	**45,101,196**	This is due to write off of infrastructure assets in 2023/2024 financial year
Impairment losses	(9,522,000)	(1,157,590)	**(10,679,590)**	(10,679,590)	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Finance costs	(100,000)	(205,780)	**(305,780)**	(305,780)	**-**	
Lease rentals on operating lease	(3,391,304)	(635,695)	**(4,026,999)**	(3,668,788)	**358,211**	
Debt Impairment	(620,000,000)	159,230,896	**(460,769,104)**	(439,819,561)	**20,949,543**	
Contracted Services	(305,286,005)	6,359,914	**(298,926,091)**	(291,178,161)	**7,747,930**	
Inventory consumed	(128,801,915)	(127,113,918)	**(255,915,833)**	(236,723,590)	**19,192,243**	The savings resulted from water inventory adjustments
Operational expenses	(214,456,519)	(30,101,287)	**(244,557,806)**	(244,557,806)	**-**	
Total expenditure	**(2,322,408,353)**	**41,512,850**	**(2,280,895,503)**	**(2,186,637,605)**	**94,257,898**	
Surplus before taxation	**817,621,651**	**(128,342,725)**	**689,278,926**	**394,682,114**	**(294,596,812)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**817,621,651**	**(128,342,725)**	**689,278,926**	**394,682,114**	**(294,596,812)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	162,846,236	-	**162,846,236**	190,698,654	**27,852,418**	
Receivables from non-exchange transactions	(314,181,250)	119,407,935	**(194,773,315)**	35,585,133	**230,358,448**	
VAT receivable	235,816,745	-	**235,816,745**	(271,964,259)	**(507,781,004)**	
Receivables from exchange transactions	2,069,126,504	(127,785,260)	**1,941,341,244**	33,989,744	**(1,907,351,500)**	
Cash and cash equivalents	635,558,117	(263,392,953)	**372,165,164**	513,349,819	**141,184,655**	
	2,789,166,352	**(271,770,278)**	**2,517,396,074**	**501,659,091**	**(2,015,736,983)**	
Non-Current Assets						
Property, plant and equipment	5,406,373,873	(53,556,547)	**5,352,817,326**	6,661,654,459	**1,308,837,133**	
Intangible assets	8,539,425	1,682,045	**10,221,470**	5,061,795	**(5,159,675)**	
	5,414,913,298	**(51,874,502)**	**5,363,038,796**	**6,666,716,254**	**1,303,677,458**	
Total Assets	**8,204,079,650**	**(323,644,780)**	**7,880,434,870**	**7,168,375,345**	**(712,059,525)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1,274,664,321	(482,257,402)	**792,406,919**	626,258,946	**(166,147,973)**	
Taxes and transfers payable (non-exchange)	198,193,904	(131,778,359)	**66,415,545**	2,086,000	**(64,329,545)**	
Consumer deposits	4,419,170	-	**4,419,170**	4,409,170	**(10,000)**	
Unspent conditional grants and receipts	-	-	**-**	59,380,177	**59,380,177**	
Provisions	54,133,400	-	**54,133,400**	74,759,768	**20,626,368**	
	1,531,410,795	**(614,035,761)**	**917,375,034**	**766,894,061**	**(150,480,973)**	
Non-Current Liabilities						
Provisions	254,804,854	-	**254,804,854**	8,540,710	**(246,264,144)**	
Total Liabilities	**1,786,215,649**	**(614,035,761)**	**1,172,179,888**	**775,434,771**	**(396,745,117)**	
Net Assets	**6,417,864,001**	**290,390,981**	**6,708,254,982**	**6,392,940,574**	**(315,314,408)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,417,864,001	290,390,981	**6,708,254,982**	6,392,940,563	**(315,314,419)**	

The municipality perfomed a mid-year assessment in terms of section 72 of the MFMA where the municipality assessed the spending of the municipality against budgted spending and also revenue generated against the budgeted revenue.

In the light of the financial assessment and forecast for the past six month as outlined in the report, annual budget be ADJUSTED interms of section 28 of MFMA and departments be allowed to review their SDBIPs indicators and targets aligning them with the resources that
are available after the Mid-Year Organisational Performance Assessment and budget adjustment processes.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The assessment with reasons for budget adjustement have been noted in the section 72 mid-year assessment report which has been published in the municipal website.

Significant Accounting Policies

1. Significant accounting polices

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

1.1 Basis of preparation

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 expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 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:

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

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

Allowance for slow moving, damaged and obsolete stock
An allowance for stock to write stock down to the lower of cost or net realisable value. 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:

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Value in use of cash generating assets.

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

Value in use of non- cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

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

Allowance for doubtful debts

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

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	65 years
Plant and machinery	Straight-line	5-21 years
Furniture and fixtures	Straight-line	3-26 years
Transport assets	Straight-line	4-40 years
Office equipment	Straight-line	2-30 years
Computer equipment	Straight-line	2-12 years
Infrastructure	Straight-line	5-80 years
Community assets	Straight-line	30 years
Other property, plant and equipment	Straight-line	3-27 years

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

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

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

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

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

Significant Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-20 years

1.7 Financial instruments

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

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

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

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

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

Significant Accounting Policies

1.7 Financial instruments (continued)

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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

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

A financial asset is past due when a counterpart 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:

1.7 Financial instruments (continued)

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Significant Accounting Policies

1.7 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payable from exchange transactions	Financial liability measured at amortised cost

1.7 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

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

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

1.7 Financial instruments (continued)

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

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

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

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

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

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

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

Significant Accounting Policies

1.7 Financial instruments (continued)

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

Financial liabilities

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

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

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

Offsetting

Financial assets and liabilities are offset and the 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.

1.8 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.

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

Initial 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.

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:
- impairment losses; and
- amounts derecognised.

Impairment losses

Significant Accounting Policies

1.8 Statutory receivables (continued)

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.

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.

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

1.9 Leases

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

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

Finance leases - lessor

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

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

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 municipality's incremental borrowing rate.

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.

1.10 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.

Significant Accounting Policies

1.10 Inventories (continued)

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Significant Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Significant Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

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.

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Significant Accounting Policies

1.13 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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.

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) 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.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

1.13 Employee benefits (continued)

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: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

1.13 Employee benefits (continued)

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Significant Accounting Policies

1.13 Employee benefits (continued)

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.14 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.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

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.

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 .

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

1.14 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.15 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the
outflow of resources.
Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
-approved and contracted commitments;
-where the expenditure has been approved and the contract has been awarded at the reporting date; and
-where disclosure is required by a specific standard of GRAP.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of MFMA as follows:"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

(a) overspending of the total amount appropriated in the municipality's approved budget;

(b) overspending of the total amount appropriated for a vote in the approved budget;

(c) expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) expenditure of money appropriated for a specific purposes, otherwise than for that specific purpose;

(e) 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

(f) a grant by the municipality otherwise than in accordance with this Act.

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 he expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

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

1.20 Fruitless and wasteful expenditure (continued)

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.

1.21 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 is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means
—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

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

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

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

1.22 Segment reporting

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.

1.22 Segment reporting (continued)

Based on the definition above, the district municipality functions are structured per department based on service delivery objectives. Each department performs its responsibilities per determined objective and individual indicators are set to measure performance of service delivery objectives. The reporting of performance is not done per geographic location of the communities serviced, consolidated budget vs actual is reported in the financial statement to evaluate performance of the municipality. Performance reporting is done per designed service delivery objectives.

The Departments are centralised to provide service delivery function to all the geographical areas within the district per Local Municipality namely Musina, Makhado, Thulamela and Collins Chabane, on implementation of infrastructure requirements of the municipality. Based on how the budget of the District Municipality is determined annually the from all the Local Municipality & Communities consultation on their needs through the integrated development plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed but based on the need's priorities and the available funds at the time that the District Municipality holds.

District Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are presented as a consolidated figure. The service provided to communities are the same for all Local Municipalities, therefore the level of information of each Local Municipality within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

1.23 Expenditure

Expenses are decrease in economic benefits or service potential during the reporting period in the form of outflows or incurrences of liabilities that results in a decrease in net assets, other than those relating to capital distributions from net assets.

Expenses are recognized as an expense when it is incurred and measured at cost excluding VAT.

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

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.

1.25 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).

Significant Accounting Policies

1.25 Related parties (continued)

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.

1.26 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).

1.27 Value-added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

The report on the Value added tax in the Annual Financial Statements is accounted for using the accrual basis.

1.28 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

2. Inventories

Maintenance materials		23,896,986	23,511,189
Consumable stores		4,945,949	3,245,944
Water for distribution		161,855,719	123,316,508
		190,698,654	**150,073,641**

Inventory pledged as security

The municipality has no inventories pledged as security for liabilities.

Water for distribution

Opening balance		123,316,507	118,431,705
System input volume		764,105,394	905,527,045
Authorised consumption		(93,102,450)	(347,030,021)
Water losses	36	(632,463,732)	(553,612,221)
Closing balance		**161,855,719**	**123,316,508**

3. Receivables from exchange transactions

Gross balances			
Water and Waste Water		2,253,317,276	1,853,811,777
Less: Allowance for impairment			
Water and Waste Water		(2,219,327,532)	(1,779,507,971)
Net balance			
Water and Waste Water		33,989,744	74,303,806

Water			
Current (0 -30 days)		115,211,912	34,977,837
31 - 60 days		54,289,580	75,201,035
61 - 90 days		52,558,072	65,816,372
91 - 120 days		32,014,510	89,161,389
121 - 150 days		23,389,594	303,844,520
151 - 180 days		22,584,194	61,270,005
181 - 210 days		21,981,177	142,630,884
210 - 365 days		126,558,439	320,620,835
> 1 years		1,804,729,798	760,288,900
Less: Impairment provision		(2,219,327,532)	(1,779,507,971)
		33,989,744	**74,303,806**

Reconciliation of allowance for impairment

Balance at beginning of the year		(1,779,507,971)	(1,154,170,641)
Contributions to allowance		(439,819,561)	(625,337,330)
		(2,219,327,532)	**(1,779,507,971)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions

Debtors - Musina Local Municipality	31,120,594	34,692,654
DWS RBIG	4,464,538	5,182,151
Other receivables	28,386	28,386
Impairments for Debtors	(28,385)	(28,385)
	35,585,133	**39,874,806**

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

Opening balance	28,385	28,385

Net amount of Trade and other receivables from non-exchange transactions after set off against Other Financial Liabilities

Gross amount Receivable from Musina Local Municipality before offsetting	407,515,789	370,741,806
Gross amount set off	(376,395,195)	(336,049,152)
	31,120,594	**34,692,654**

Vhembe District Municipality and Musina Local Municipality agreed to offset both amounts receivable and payable to each municipality for existing and future balances and disclose the net amount receivable or payable to each respective municipality in term of GRAP 104 paragraph 92 to 100.

Non-current assets	-	-
Current assets	35,585,133	39,874,806
	35,585,133	**39,874,806**

5. VAT receivable

VAT Receivable	-	253,551,591

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	513,349,819	130,688,142

Investment in VBS

Investment in VBS	295,235,974	295,235,974
Impairment provision	(295,235,974)	(295,235,974)
Net Balance	**-**	**-**

Impairment provision recon

Openning balance	(295,235,974)	(295,235,974)
	(295,235,974)	**(295,235,974)**

6. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	June 30, 2023	June 30, 2022	30 June 2024	June 30, 2023	June 30, 2022
FNB BANK - Current account (main) - 62021931458	435,437,439	90,990,926	119,988,955	425,404,712	92,513,850	119,902,710
FNB BANK - Thulamela water - 62370167233	61,505,737	21,654,902	1,634,369	60,272,300	20,141,248	543,448
FNB BANK - Makhado water - 62387689668	24,937,608	15,131,978	9,010,344	24,666,778	14,913,898	8,906,446
FNB BANK - Mutale water - 62407577131	2,925,341	2,656,330	2,469,655	2,925,159	2,662,957	2,469,155
FNB BANK - Call Account - 62036334803	355,813	273,975	260,715	355,813	333,309	320,048
Total	**525,161,938**	**130,708,111**	**133,364,038**	**513,624,762**	**130,565,262**	**132,141,807**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	17,870,000	-	17,870,000	17,870,000	-	17,870,000
Buildings	122,647,885	(54,945,031)	67,702,854	122,647,885	(50,822,165)	71,825,720
Plant and machinery	24,316,836	(10,429,057)	13,887,779	20,597,058	(9,583,024)	11,014,034
Furniture and fixtures	19,045,358	(12,418,278)	6,627,080	16,100,898	(10,957,408)	5,143,490
Transport assets	152,237,847	(77,090,470)	75,147,377	124,458,655	(68,485,231)	55,973,424
Computer equipment	14,092,804	(9,433,536)	4,659,268	12,958,273	(8,656,653)	4,301,620
Infrastructure	4,430,808,991	(1,208,427,958)	3,222,381,033	3,990,642,104	(1,198,095,945)	2,792,546,159
Community assets	27,528,835	(7,452,590)	20,076,245	27,528,835	(6,748,060)	20,780,775
Other property, plant and equipment	31,114,330	(25,110,444)	6,003,886	29,299,614	(23,384,351)	5,915,263
Leased assets	-	(2)	(2)	-	(2)	(2)
Work in progress	3,230,022,111	(2,723,172)	3,227,298,939	3,155,209,503	-	3,155,209,503
Total	**8,069,684,997**	**(1,408,030,538)**	**6,661,654,459**	**7,517,312,825**	**(1,376,732,839)**	**6,140,579,986**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	17,870,000	-	-	-	-	17,870,000
Buildings	71,825,720	-	-	(4,122,866)	-	67,702,854
Plant and machinery	11,014,034	3,719,778	-	(846,033)	-	13,887,779
Furniture and fixtures	5,143,490	2,944,460	-	(1,460,689)	(181)	6,627,080
Transport assets	55,973,424	27,779,192	-	(8,605,239)	-	75,147,377
Computer equipment	4,301,620	1,134,531	-	(776,883)	-	4,659,268
Infrastructure	2,792,546,159	-	582,257,690	(144,466,702)	(7,956,114)	3,222,381,033
Community assets	20,780,775	-	-	(704,530)	-	20,076,245
Other property, plant and equipment	5,915,263	1,814,716	-	(1,725,970)	(123)	6,003,886
Leased Assets	(2)	-	-	-	-	(2)
Work in progress	3,155,209,503	657,070,298	(582,257,690)	-	(2,723,172)	3,227,298,939
	6,140,579,986	**694,462,975**	**-**	**(162,708,912)**	**(10,679,590)**	**6,661,654,459**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	17,870,000	-	-	-	-	17,870,000
Buildings	75,937,360	-	-	(4,111,640)	-	71,825,720
Plant and machinery	11,821,187	-	-	(807,153)	-	11,014,034
Furniture and fixtures	3,990,468	2,094,923	-	(937,146)	(4,755)	5,143,490
Transport assets	56,593,231	7,349,294	-	(7,948,520)	(20,581)	55,973,424
Computer equipment	5,091,191	15,900	-	(805,087)	(384)	4,301,620
Infrastructure	2,963,530,805	-	3,194,778	(166,849,927)	(7,329,497)	2,792,546,159
Community assets	20,062,652	1,384,239	-	(666,116)	-	20,780,775
Other property, plant and equipment	5,254,233	2,726,660	-	(2,054,268)	(11,362)	5,915,263
Leased Assets	(2)	-	-	-	-	(2)
Work in progress	2,468,049,600	690,354,681	(3,194,778)	-	-	3,155,209,503
	5,628,200,725	**703,925,697**	**-**	**(184,179,857)**	**(7,366,579)**	**6,140,579,986**

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	3,118,618,652	2,723,172	33,867,679	3,155,209,503
Additions/capital expenditure	620,479,448	36,590,850	-	657,070,298
Impaired amount	-	(2,723,172)	-	(2,723,172)
Transferred to completed items	(582,257,690)	-	-	(582,257,690)
	3,156,840,410	**36,590,850**	**33,867,679**	**3,227,298,939**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	2,431,458,747	2,723,172	33,867,679	2,468,049,598
Additions/capital expenditure	690,354,683	-	-	690,354,683
Transferred to completed items	(3,194,778)	-	-	(3,194,778)
	3,118,618,652	**2,723,172**	**33,867,679**	**3,155,209,503**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2024	2023
Maintenance of Equipment	131,306,816	100,587,148
Maintenance of Unspecified Assets	8,755,804	3,431,191
Maintenance of Buildings and Facilities	3,240,164	1,846,860
	143,302,784	**105,865,199**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

7. Property, plant and equipment (continued)

Projects with significant delays / Stalled projects

Projects with significant delays / Stalled projects			
Increasing the capacity of vondo WTW & upgrade of water related infrastructure	Extra quantities payment dispute affecting the snaglist completion, but the plant is functional Community protest that lasted over 11 months affected progress. Contractor resumed site recently and we antcipate progress soon	304,940,433	390,321,243
Upgrading the Vondo WTW & Related Bulk I nfrastructure in the area: Phase2 Pump Main from Vondo WTW to reservoirs R3A and R3B	Organised groups closed site today, 27 May 2024 demanding security contract. Community infight for labor recruitment but it was resolved 3 weeks ago	16,150,077	-
Upgrading of pumps and construction of a new bulk line service reservoirs at Mutoti village within Vhembe District Municiplaity	Desgins for the temporal pumping system connection at Nandoni WTW. Approval done on Thursday, 23 May 2024	18,228,022	-
Malamulele West Regional Water Scheme- Phase 3 - Dididi, Mulenzhe, Tambaulate and Tshitomboni	Slow performing Contractor.	41,266,057	-
Malamulele West Regional Water Scheme- Phase 2B -Mukhomi, Xigamani, Xihosana, Dumela and Gumbani	Slow performing Contractor.	49,686,680	-
Nandoni RWS: Construction of Bulk Pipeline from Vuwani to Middle Letaba System (Disaster Project)	Failed employees medical fitness, flooded chambers requiring draining, heavy rains and local stike actions.	6,712,899	218,635,783
Vuwani to vyeboom and Construction of reservoir(Makhado)	Community Unrest,Covid 19,Change [position of Resevoir	55,304,741	323,585,660

7. Property, plant and equipment (continued)

Figures in Rand		2024	2023
Damani Regional Water Scheme :pipeline P1,P2,P3	unavailability of own funding Budget	33,326,101	-
Mutshedzi Regional Water Scheme	Project has been delayed due to heavy rainfall during January and February and due to lockdown by COVID -19. This project was also delayed delivery of Valves from Turkey to South Africa Delayed due to late approval of budget maintenance by COGHSTA The initial contractor, Madipadi Construction, was terminated due to poor performance, however H.T.E Construction was later appointed and experienced project delay due to delivery of mechanical items and fittings	138,827,136	671,391,673
Mashau and surrounding villages BWS & Ret.	Delayed due to interference, by community member claiming for land occupation, on the progress of contruction of bulk pipeline, This matter is in high court. The Municipality is awaiting for trial date.	45,158,948	301,441,198

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

7. Property, plant and equipment (continued)

Makhado West Bulk Water supply Stage 3	Poor perfomance by the contractor for Mechanical & Electricity. The contractor is on penalties. Unavailability of water for Testing, DWS busy finalizing the supply line from Nandoni to Valdezia.	239,726,838	582,746,546
Xikundu Mhinga Bulk Water Supply	The pumpstation wall vibrated during pump testing. Meeting held and the Engineer to submit the VO for the support.	16,826,330	-
Upgrading and construction of water reticulation system at Maungani East village	Project has been delayed due to heavy rainfall and due to lockdown by COVID-19	-	5,963,685
Xikundu Mhinga water reticulation	Project was stalled to insuffiecient bulk water supply. Municipality currently atteding to the bulk supply projects including pump stations	-	74,932,591

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2024			2023		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	13,622,738	(8,560,943)	5,061,795	20,659,327	(14,203,854)	6,455,473

Reconciliation of intangible assets - 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	6,455,473	75,000	(1,468,678)	5,061,795

Reconciliation of intangible assets - 2023

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	7,270,181	1,180,435	(1,995,143)	6,455,473

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Payables from exchange transactions

Trade payables	203,017,878	120,168,895
Payments received in advanced	50,332,215	49,418,757
Retention	242,000,378	247,387,841
Accrued bonus	15,002,338	14,386,977
Accrued expense	29,820,911	-
Other payables	1,652,711	367,263
Unallocated deposits	27,670,566	24,653,527
Department of Water and Sanitation	467	44,933,747
Makhado Local Municipality	(1)	9,881,800
Lepelle Northern Water Board	-	90,913,064
Defered revenue from water connections	10,361,494	10,978,435
Mopani District Municipality	46,400,000	58,000,000
	626,258,957	**671,090,306**

Net amountof Other Financial liabilities (Musina Local Municipality) set off against Receivables from non-exchange transactions

Gross amount payable to Musina Local Municipality before offsetting	407,515,789	336,049,152
Gross amount set off	(407,515,789)	(336,049,152)
	-	**-**

Vhembe District Municipality and Musina Local Municipality agreed to offset both amounts receivable and payable to each municipality for existing and future balances and disclose the net amount receivable or payable to each respective municipality in term of GRAP 104 paragraph 92 to 100.

Current and Non-current portion of Trade and other payables from exchange transactions

Payables from exchange transactions current portion	626,258,946	671,090,292
	626,258,946	**671,090,292**

Vhembe District Municipality has an agreement with Makhado Local Municipality to pay of the debts in monthly installments of R3 000 000.

Vhembe District Municipality has agreed to pay R3 866 666.67 to Mopani District Municipality as and when Vhembe District Municipality receive equitable share until the capital sum of R58 000 000 is paid in full. interest will be frozen for the period of settlement and will be written off after full capitl amount is paid.

10. Transfers payable (non-exchange)

Transfers payable	2,086,000	2,086,000

The amount relates to DisasterRelied Grant which VDM received during 2019/20 financial year for COVID 19 purposes which ended up not being used. An application for roll over of the grant was not approved by National treasury. Since the Grant was not approved National treasury has not yet withdrawn the amount of R2 086 000.

11. VAT payable

Tax refunds payables	271,964,259	-

12. Consumer deposits

Water	4,409,170	4,409,170

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	57,119,852	23,517,704
Water Services Infrastructure Grant	2,260,325	17,668,820
Expanded Public Works Programme Integrated Grant	-	229,947
	59,380,177	**41,416,471**

Movement during the year

Balance at the beginning of the year	41,416,471	12,962,122
Current-year receipts	692,512,000	663,404,000
Income recognition during the year	(674,318,347)	(625,252,651)
Offset by national treasury	(229,947)	(9,697,000)
	59,380,177	**41,416,471**

14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Leave provision	68,019,970	9,988,414	(4,466,249)	-	-	73,542,135
Performance bonus	91,138	-	-	-	-	91,138
Long service award	10,155,940	8,629,403	(12,267,456)	861,549	2,287,769	9,667,205
	78,267,048	**18,617,817**	**(16,733,705)**	**861,549**	**2,287,769**	**83,300,478**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Leave provision	66,647,216	5,571,918	(4,199,164)	-	-	68,019,970
Performance bonus	91,138	-	-	-	-	91,138
Long service award	8,989,599	1,086,491	(3,882,658)	768,295	3,194,213	10,155,940
	75,727,953	**6,658,409**	**(8,081,822)**	**768,295**	**3,194,213**	**78,267,048**

	2024	2023
Non-current liabilities	8,540,710	7,498,755
Current liabilities	74,759,768	70,768,293
	83,300,478	**78,267,048**

Leave provision

Employee entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up on the amount of the obligations. Provisions at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it no longer probable that an outflow of resources embodying economics benefits or services potential will be required to settle the obligation.

Performance Bonus provision

The provision relate to performance bonuses that were provided for in prior years based on performance agreements for which it is still probable that there will be economic outflows for the municipality as at current financial year end.

Long Service Award provisions

Benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The leave days awarded have been converted to a percentage of annual salary to the next interval by allowing for future growth. The key assumptions used are the discount rate of 9.76%, CPI of 4.96%, salary increase rate of 5.96% which gave us a net discount rate of 3.59%, average retirement age of 63, withdrawal rates and ill health and other early termination rates were determined according to age groups.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Service charges

Water and Waste Water	338,629,860	639,886,384
Prepaid water	3,472,572	2,827,469
Water connections	2,056,405	1,514,685
Waste water connections	-	25,226
Waste management facility disiposal	357,529	283,195
	344,516,366	**644,536,959**

16. Interest on Investments

Interest revenue		
Bank accounts	47,269,102	28,590,547
Interest earned from SARS	761,525	-
	48,030,627	**28,590,547**

17. Sales of Goods and Rendering of Services

Tender documents	247,000	277,675
Recycling of Waste	2,631	13,703
Clearance Certificates	662,710	364,301
Fire Services	378,462	305,573
	1,290,803	**961,252**

18. Operational revenue

Discounts and Early Settlements	2,531,223	-
Skills Development Levy Refund	-	29,025
Commission:Insurance	-	20,969
Collection Charges	-	3,145
Breakages and Losses Recovered	-	130
	2,531,223	**53,269**

19. Rental of facilities and equipment

Premises		
Premises	-	942

20. Interest on Receivables

Interest on Receivables	106,232,338	77,251,173

21. Licences and permits

Health Certificates	137	442

22. Licences and permits (non-exchange)

Market Porters	356,242	270,785

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants & subsidies

Operating grants		
Equitable share	1,385,786,000	1,276,805,169
Municipal Infrastructure Grant	23,275,590	20,511,479
Water Services Infrastructure Grant	-	5,125,842
Expanded public works programme grant	6,393,947	4,524,052
Rural Road Asset Management Systems Grant	2,845,002	2,406,998
Financial management grant	3,000,000	3,000,000
Infrastructure Skills Development Grant	3,500,000	-
Regional Bulk Infrastructure Grant	13,899,189	24,654,203
	1,438,699,728	**1,337,027,743**
Capital grants		
Municipal Infrastructure Grant	522,895,262	549,213,817
Water services infrastructure grant	112,408,495	40,470,461
National Departmental Agencies: Banking SETA	4,358,498	954,660
	639,662,255	**590,638,938**
	2,078,361,983	**1,927,666,681**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	674,318,296	625,252,649
Unconditional grants received	1,390,144,498	1,277,759,829
	2,064,462,794	**1,903,012,478**

Municipal Infrastructure Grant

Balance unspent at beginning of year	23,517,704	-
Current-year receipts	579,773,000	593,243,000
Conditions met - transferred to revenue	(546,170,852)	(569,725,296)
	57,119,852	**23,517,704**

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant is used for the provision of capital finance for the eradication of basic municipal infrastructure backlogs for poor households and social infrastructure servicing the poor and provide finding for the development of asset management plans for infrastructure servicing the poor.

The remaining balance of R57 119 852 includes an amount of R3 666 396 which was part of the R23 517 704 approved roll over of 2022/23 financial year which the municipality could also not spend in the 2023/24.

Water Services Infrastructure Grant

Balance unspent at beginning of year	17,668,820	12,847,110
Current-year receipts	97,000,000	60,000,000
Conditions met - transferred to revenue	(112,408,495)	(45,596,303)
Offset by National Treasury	-	(9,581,987)
	2,260,325	**17,668,820**

Conditions still to be met - remain liabilities (see note 13).

Water Service Infrastructure Grant facilitates the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services.

23. Government grants & subsidies (continued)

The unspent balance of R2 260 325 is the remainder of the 2022/23 approved roll over of R17 688 820 which the municipality could not spend also in the 2023/24.

Financial Management Grant

	2024	2023
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Local Government Finance Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management act.

Expanded Public Works Programme

	2024	2023
Balance unspent at beginning of year	229,947	-
Current-year receipts	6,394,000	4,754,000
Conditions met - transferred to revenue	(6,394,000)	(4,524,053)
Offset by National Treasury	(229,947)	-
	-	**229,947**

Conditions still to be met - remain liabilities (see note 13).

Expanded Public Works Programme is used to expand work creation efforts through the use of labour-intensive delivery methods..

Rural Road Asset Management Systems Grant

	2024	2023
Balance unspent at beginning of year	-	115,013
Current-year receipts	2,845,000	2,407,000
Conditions met - transferred to revenue	(2,845,000)	(2,407,000)
Offset by National Treasury	-	(115,013)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Rural Roads Asset Management Systems Grant assists the district municipalities to set-up rural roads and asset management systems and collect road, bridges and traffic data on municipal road networks

Infrastructure Skills Development Grant

	2024	2023
Current-year receipts	3,500,000	-
Conditions met - transferred to revenue	(3,500,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

Figures in Rand	2024	2023

24. Employee related costs

Basic salary	477,292,928	431,236,509
Pension	81,255,723	74,290,172
Overtime	77,668,044	78,138,415
Bonus	36,318,666	34,292,524
Car allowance	41,366,623	37,427,942
Medical aid	24,866,501	20,603,454
Travel, motor car, accommodation, subsistence and other allowances	438,814	561,781
Housing benefits and allowances	6,260,895	6,890,290
Standby Allowance	1,406,170	1,239,835
Leave pay provision charge	10,069,314	5,914,907
Long-service awards	11,778,722	5,048,999
UIF	3,243,927	3,121,755
Cellular Allowances	300,001	347,401
Social Contributions:Bargaining Council	172,163	168,272
Uniform and protective clothing	84,926	113,206
	772,523,417	**699,395,462**

Remuneration of municipal manager

Annual Remuneration	1,025,729	355,463
Contributions to UIF, Medical and Pension Funds	159,359	64,824
Car Allowance	439,382	112,397
Bonus	26,031	25,647
Accommodation Travel and Incidental	3,819	655
Leave pay	-	48,010
Cellphone allowance	30,000	-
	1,684,320	**606,996**

Remuneration of chief finance officer

Annual Remuneration	854,066	802,660
Contributions to UIF, Medical and Pension Funds	150,380	203,906
Car Allowance	338,907	269,002
Bonus	65,753	62,895
Accommodation Travel and Incidental	1,214	975
Cellular allowance	24,000	24,000
Acting allowance	-	14,046
	1,434,320	**1,377,484**

Remuneration of General Manager Technical Services

Annual Remuneration	854,066	801,997
Car Allowance	230,735	230,490
Contributions to UIF, Medical and Pension Funds	223,489	220,332
Accommodation Travel and Incidental	981	-
Bonus	63,838	57,653
	1,373,109	**1,310,472**

Remuneration of General Manager Economic And Development Planning

Annual Remuneration	48,870	754,561
Contributions to UIF, Medical and Pension Funds	-	126,989
Bonus	-	63,838
Car Allowance	-	119,468
Accommodation Travel and Incidental	-	1,722

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Employee related costs (continued)

Cellular Allowance	-	22,000
Housing Benefits	-	187,076
Leave pay	-	61,285
	48,870	**1,336,939**

General manager economic and development planning Mrs M Tshivhinda contract ended on 30 April 2023 and the position have been vacant for the 2023/24 financial year.

Mr S.S Daswa was appointed acting general manager economic and development planning from 1 December to February 2024 and from 1 June to 30 June 2024 during the 2023/24 financial year.

Mr T.C Nempumbuluni was appointed acting general manager economic development and planning from 1 September 2023 to 30 November 2023. during the 2023/24 financial year.

Mrs N.C Mapholi was appointed acting general manager economic development and planning from 1 May to 31 May 2024 during the 2023/24 financial year.

Remuneration of General Manager Corporate Services

Annual Remuneration	591,053	807,152
Contributions to UIF, Medical and Pension Funds	115,036	168,998
Car Allowance	163,659	250,571
Leave pay	37,874	-
Bonus	54,790	63,838
Accommodation Travel and Incidental	-	1,709
Acting Allowance	-	67,340
	962,412	**1,359,608**

Mr NC Tshikovha resigned as the general manager corporate services as at 29 February 2024.

Mr TK Mphaphuli was appointed acting general manager corporate service from 1 June to 30 June 2024 during the 2023/24 financial year.

MrsTG Muofhe was appointed acting general manager corporate service from 1 March to 31 May 2024 during the 2023/24 financial year.

Remuneration of General Manager Community Services

Annual Remuneration	854,066	641,140
Contributions to UIF, Medical and Pension Funds	186,675	140,970
Bonus	53,198	-
Car Allowance	304,267	247,937
Accommodation Travel and Incidental	1,780	960
	1,399,986	**1,031,007**

25. Remuneration of councillors

Councillors	7,942,264	7,517,006
Mayoral Committee Members	5,564,419	4,655,110
Executive Mayor	956,402	979,527
Speaker	875,940	793,385
Chief Whip	761,283	748,757
	16,100,308	**14,693,785**

Figures in Rand	2024	2023

26. Depreciation and amortisation

Property, plant and equipment	162,708,909	184,179,859
Intangible assets	1,468,678	1,995,143
	164,177,587	**186,175,002**

27. Debt impairment

Contributions to debt impairment provision	439,819,561	625,337,331

28. Contracted services

Outsourced Services		
Business and Advisory	13,563,850	9,071,313
Personnel and Labour	41,077,051	10,399,542
Administrative and Support Staff	5,293,999	4,966,750
Hygiene Services	-	8,147,999
Professional Staff	288,000	-
Transport Services	640,597	643,975
Researcher	-	86,957
Consultants and Professional Services		
Legal Cost	46,109,368	48,820,059
Business and Advisory	32,732,761	37,648,315
Laboratory Services	2,018,807	1,356,931
Infrastructure and Planning	255,335	721,323
Contractors		
Event Promoters	-	40,000
Maintenance of Equipment	131,306,816	100,587,148
Maintenance of Unspecified Assets	8,755,804	3,431,191
Catering Services	4,343,644	3,924,050
Maintenance of Buildings and Facilities	3,240,164	1,846,860
Sports and Recreation	1,551,965	-
	291,178,161	**231,692,413**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Operational expenses

Assessment rates & municipal charges	101,295,724	80,624,032
Consumables	295,656	-
Fuel and oil	19,247,458	14,867,006
License	2,838,304	772,995
Subscriptions and membership fees	8,291,691	7,388,495
Auditors remuneration	7,747,930	7,287,730
Telephone and fax	9,010,805	5,999,953
Insurance	3,759,345	3,697,893
Skills Development Fund Levy	6,518,850	4,049,538
Mayors Bursary Fund	2,778,601	3,398,308
Accommodation	3,989,769	3,295,631
IT expenses	2,012,798	2,908,374
Protective clothing	5,678,897	6,226,681
Advertising	5,132,362	2,792,470
Achievements and Awards	1,487,561	483,750
Travel - local	2,371,394	973,755
Bank charges	349,026	366,275
Hire Charges	528,851	281,839
Transport and freight	520,990	378,556
Conferences and seminars	1,283,384	1,272,525
Printing and stationery	412,807	68,688
Entertainment	32,444	31,025
Assets less than the Capitalisation Threshold	17,141,537	22,539,702
Copy Right Fees	8,700	8,005
Postage and courier	10,820	6,965
Water related services expenditure	41,812,102	23,369,386
	244,557,806	**193,089,577**

30. Inventory consumed

Water consumed	205,460,573	165,086,004
Consumable stores	25,698,962	31,640,154
Materials and supplies	5,564,055	4,204,852
	236,723,590	**200,931,010**

31. Impairment losses

Impairments		
Property, plant and equipment	10,679,590	7,366,579

32. Lease rentals on operating lease

Premises		
Contractual amounts	2,163,039	1,654,991
Machinery and Equipment		
Contractual amounts	1,505,749	1,671,275
	3,668,788	**3,326,266**

33. Finance costs

Trade and other payables	305,780	2,565,578

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Transfer and subsidies

Other subsidies

Capacity Building and Other	-	400,000

35. Cash generated from operations

Surplus	394,682,114	507,336,541
Adjustments for:		
Depreciation and amortisation	164,177,587	186,175,002
Impairment loss	10,679,590	7,366,579
Debt impairment	439,819,561	625,337,331
Movement in provisions	5,033,430	2,539,095
Changes in working capital:		
Inventories	(40,625,013)	3,989,693
Statutory receivables - VAT	525,515,850	(37,940,245)
Receivables from exchange transactions	(399,505,499)	(725,350,440)
Other receivables from non-exchange transactions	4,289,673	(7,327,899)
Payables from exchange transactions	(44,831,346)	113,320,805
Unspent conditional grants and receipts	17,963,706	28,454,348
	1,077,199,653	**703,900,810**

36. Water losses

Water losses

Apparent losses: Unauthorised consumption	632,463,732	553,612,221

	Number 2024	**Number 2023**		
Opening Units	31,328,181	29,828,163	123,316,507	118,431,704
Units purchased	156,950,498	152,351,221	764,105,394	905,527,045
Units sold	(19,123,640)	(88,161,913)	(93,102,451)	(347,030,021)
Closing Units	(33,245,853)	(31,328,181)	(161,855,718)	(123,316,507)
Total	**-**	**-**	**632,463,732**	**553,612,221**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Contingent liabilities

Capstain Trading 215 CC	608,660	608,660
Gettysburg Community Property Association	17,375,599	17,375,599
Mmbudzeni Given mavhunga	1,350,000	1,350,000
Tricks Wrought Iron Services (Pty) Ltd	-	1,419,870
Luvhengo LV OBO Minors	490,000	490,000
Nevondo Azwihangwisi Andries	-	2,000,000
Tinyiko Manganyi OBO Manganyi Andile	4,100,000	4,100,000
Tshwane Trading	595,650	595,650
K. T. Ntsikazi	3,708,956	3,708,956
Department of Water and Sanitation (DWS)	929,353,925	929,353,925
Stan South Financial and Investment Services cc	11,644,558	11,644,558
Mukheli Livhuwani Priscilla OBO Wavavhudi Mukheli	500,000	-
Risimati Christopher Mabasa	35,708	35,708
Lepelle Northern Water	14,066,508	-
BMK Electronics	-	3,899,792
Johan Van Der Horst	514,158	514,158
Tshavhungwe Tshambiluni Godfrey	780,000	780,000
Phuluwa Thinashaka Reuben	3,560,000	3,560,000
Molozi Trust	703,756	703,756
Simunye Vehicles and asset Management	-	81,184
Thivhakoni Rosina Modau	-	570,000
Joyce and Tiny Sibongile Madala	3,500,000	3,500,000
Nndwakhulu Victor Ramabulana	4,730,000	4,730,000
Kurima JV Projects	1,034,335	1,034,335
Sharon Pipeline	2,488,975	2,488,975
TELKOM SOC Limited	1,630,870	1,630,870
Nditshe Community	-	349,184
Belta Services Pty (Ltd)	5,139,559	5,139,559
Farisani Ndiitwani	-	151,500
MLK Engineering	8,060,655	-
	1,015,971,872	**1,001,816,239**

1. CAPSTAN TRADING 215 CC
Capstain Trading is litigating against the Municipality and is disputing the validity of a cession that is purported to have been signed between the Capstan as the cedar and the third party. On the strength of the cession agreement the Municipality paid the third party an amount of R608 660 (2023: R608 660). The Municipality is defending the case. The3tfadsv plaintiff has since made an application for a set-down to be heard on the 5th of May 2023, in the High Court in Thohoyandou.

2. GETRUSBURG COMMUNITY PROPERTY ASSOCIATION
The Association is suing the Makhado Municipality for R17 375 599 (2023: R17 375 599) for drawing borehole water from its premises without consent. Makhado Municipality has joined VDM as a Water Services Authority. The Municipality is defending the case.

3. MMBUDZENI GIVEN MAVHUNGA
Mbudzeni Given Mavhunga is alleging that he fell into a ditch that was not covered and he has sustained some injuries. He is therefore suing the Municipality an amount of R1 350 000 (2023: R1 350 000) for negligence. The Municipality is defending the matter.

5. LUVHENGO LV OBO MINORS
Ms Luvhengo Lydia Vhonani has instituted action against the Municipality in that the biological father of her two minor children has passed away due to the negligence of the Vhembe District Municipality. Ms Luvhengo is suing for R490 000 (2023: R490 000). The alleged biological father was killed when a water tank fell on him. The Municipality is defending the case.

6. SHARON PIPELINE SPECIALISTS
Sharon pipeline is litigating against the municipality as they are alleging that they have provided services and has not been paid. Sharon is suing the municipality for an amount of R2 488 975.22. The municipality is defending the case. The case is still pending.

37. Contingent liabilities (continued)

7. NEVONDO AZWIHANGWISI ANDRIES
Mr Nevondo Azwihangwisi Andries is claiming that the Municipality is owing him an amount of (2023: R2 000 00) for pension. The municipality is defending the matter.

8. TINYIKO MANGANYI OBO MANGANYI ANDILE
Tinyiko has instituted a claim against the municipality alleging that there were bodily injuries sustained due negligence by the municipality. She is suing the municipality for an amount of R4 100 000 (2023: R4 100 000).

9. TSWANE TRADING
Konani has instituted a claim against the Municipality as they alleged that they have suffered damages as a result of the municipality failing to comply with the training agreement that was concluded. The claim amount is. R595 650 (2023: R595 650)

10. Minister of Water and Sanitation
The Department of Water and Sanitation is suing the Municipality for R923 202 894 and R6 150 998 and 33 (929 353 925) for water that has not been paid by the District as per received summonses. The Municipality is however, defending the case as it cannot agree with the figure as it was based on estimation. It should however be noted that in 2016 Vhembe District Municipality was owing the Department an amount of R307 083 113 (Three hundred and seven million, Eighty-three thousands, One hundred and twelve rands, and sixty-seven cents) as per the summonses served by A Solwandle Attorneys, the Department of Water and Sanitation’s attorney of record.

The Municipality is defending the matter and has so far filed a Notice of Objection and on 22 August 2023, the matter will be heard in Polokwane High Court.

11. STAN SOUTH FINANCIAL AND INVESTMENT SERVICES CC.
Stan South Financial and Investment Services are claiming for the work done. They are claiming R11 644 558 (2023: R11 644 558). The Municipality is defending the case.

13. RISIMATI CHRISTOPHER MABASA
Risimati Christopher Mabasa has instituted a claim against the Municipality in that his vehicle was involved in an accident that in which he claims that it was caused by the vehicle of the Municipality claiming R35 108 (2023: R35 108). The Municipality is defending the matter.

15. JOHAN VAN DER HORST
Johan Van der Horst is litigating against the municipality as he alleges that he has lost his house due to fire as a result of negligence by municipality fire officials and their non-response on this particular case. He is claiming an amount of R514 158 (2023: R514 158) as the value of the burnt house, furniture and clothing. The municipality is defending the case.

16. TSHAVHUNGWE TSHAMBILUNI GODFREY
Vhembe District Municipality has received summons from Tshavhungwe Tshimbiluni Godfrey claiming R780 000 (2023: R780 000) for moving and reburial of the graves and the remains found in the Davhana Traditional area, compensation for a portion occupied by water lines and for damages in respect of pain and emotional suffering. The Municipality is defending the matter.

17. PHULUWA THINASHAKA REUBEN
Phuluwa Thinashaka Reuben is claiming that he sent summons to the Municipality claiming an amount of R3 560 000 (2022: R3 560 000). The municipality is defending the matter.

18. MOLOZI TRUST
Molozi Trust is claiming that there is an agreement that the Vhembe District Municipality will pay for the servitude that is in the name of the trust. They are requesting payment of R703 756 (2023: R 703 756).

21. THIVHAKONI ROSINA MODAU
Rosina Modau is instituting an action in that her Son was involved in an accident which allegedly caused his death due to the negligence of the apparent negligence of the Vhembe District Municipality who did not repair the road that was cut. He lost control and overturn his car and sustained injuries. The municipality is defending the matter.

Figures in Rand	2024	2023

37. Contingent liabilities (continued)

22. JOYCE AND TINY SIBONGILE MADALA
The applicants are claiming R3 500 000 (2023: R3 500 000) for emotional shock in that there has been a sewer blockage causing leaks in their house. The Municipality is defending the matter.

23. NNDWAKHULU VICTOR RAMABULANA
The applicant is alleging that he fell into the ditch and sustained a fracture on his leg and he is now claiming R4 730 000 (2022: R1 000 000). The Municipality is defending the matter.

24. KURIMA JV PROJECTS CC
The company is claiming an amount of R1 034 335 (2023: R1 034 335) for the work done. The Municipality is defending the matter.

25. K.T NSIKAZI.COM
Nsikazi is litigating against the municipality as they allege that they had leased the municipality IT hardware materials which upon expiry of the contract were never returned to them. They are claiming an amount of R3 708 956 (2022: R3 708 956) being the value of items in possession of the municipality. The municipality is defending the case.

28. TELKOM SOC
TELKOM is claiming the amount of R1 630 870 as an amount for service rendered. Vhembe is disputing the facts and therefore defending the matter.

33. BELTA SERVICES PTY (LTD)
Belta is claiming for services rendered. the case is awaiting the appointment of a legal representative.

36. COLBERT MUGIVHISA
Colbert Mugivhisa has closed and barricaded the entrance of the site where the Municipality is busy with construction of a water reservoir at Mashau Village. He is claiming that the Municipality is constructing on his land without consent.

37. MLK Engineering
MLK Engineering is claiming an amount of R8 060 655.0**4** for the work done. The Municipality has since rejected during negotiations to pay after doing inspection in loco and verification of some of the invoices. A consultation was held in Groenkloof, Pretoria on the 13th of March 2024

38. Lepelle Northern Water Board
During August 2023 Vhembe District Municipality initiated the engagement with Lepelle Northern Water concerning the service level agreement between the 2 institutions which was in place however the service level agreement for 2023/2024 was invalid which resulted in renewal/revision of the service level agreement. Those engagement were occurring while Lepelle Northern Water was servicing the communities on behalf of the Vhembe District Municipality however the invoices were not processed at its initial receipt as Vhembe District Municipality was still waiting for the matter to be concluded to authenticate the validity of the service level agreement.

38. Contingent assets

ILLEGAL CONNECTIONS
Vhembe District Municipality is experiencing a serious problem of illegal connections where in consumers are not paying for water. This has resulted in a loss of revenue to the Municipality. The Municipality has instituted 47 cases against consumers who have illegally connected to the water system. So far 42 cases have been resolved and 5 are still pending.

ESSOR INSURANCE
The Vhembe District Municipality is suing Essor as our insurance as they don’t want to pay insurance money for the work that was not finished by the contractor. The case is still pending

HOME OBLIGATORS MORTGAGE ENHANCED SECURITIES Pty Ltd
The case is about mortgage default and it is not affecting Vhembe directly as we are cited as the plaintiff because we stand to be compensated for water usage by the defendant. In essence, the defendant owes the municipality water rates. Still pending

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	700,317,500	1,113,230,918
Total capital commitments		
Already contracted for but not provided for	700,317,500	1,113,230,918

Authorised operational expenditure

Already contracted for but not provided for		
• Purchase & installation 3600 smart meters & all accessories to malamulele town	13,030,635	-
• Supply of trucks and tractors	21,532,317	14,003,505
• Repairs and maintenance	21,012,502	19,316,836
• Refurbishment of Albasin purification plant floc-clarifier No.1	6,968,140	-
• GIS Strategy implementation over a period of 36 months	4,996,381	8,573,675
• Refurbish 9 boreholes ,100kl concrete reservoir & pump station at Kutama Sinthumule & surrounding villages and also install 2x 10000l plastic tanks	9,623,200	-
• Modification of pipeline from borehole H 17-0017	6,716,000	-
• Procurement of landline telephone rental services for a period of five years	8,647,323	-
• Supply of uniforms and protective clothes	-	900,100
• Server Vitalisation Maintenance and Backup for the period of 36 months	1,827,120	1,827,120
• Repair 2 burst pipe at Gaba inside the huge valley and Miluwani unit C	6,299,882	-
• Compliance Management system for local government	1,000,000	1,000,000
• Development and review water safety plan	-	1,887,000
• Supply of underground water pipeline detectors	-	1,299,982
• Appointment of term contract for compilation of fixed assets	10,660,366	750,000
• Renewal of network security cyberoam and upgrade cr series to XG series	77,625	110,400
• furbishment of Booster pump stations in Mulima	5,905,423	-
• Business processing re-engineering	-	948,000
• Develop operation and maintenance manual for Rietvlei wastewater treatment	-	890,755
• Supply and installation of air-blower , back- wash pump and drive motor at Abasin filter-track	5,845,416	-
• Purchase, delivery, installation of 110 bulk meters with valves, 148 outlet ballvalves and commissioning to reservoirs, water treatment works and bulk boreholes(Re-advert)	5,602,835	-
• Upgrade, unblocking of 2.8KM sewer pipeline, waterproofing of one(1) pond and de-bushing of three (3) other ponds at Vleifontein waste water treatment works	5,355,717	-
• Test, energize and construct mainlines to the two reservoirs for three boreholes at Phaphazela village	4,520,908	-
• Supply and installation of 3x MPB 6 stage pumps , 2x DRDVbareshaft pump at Xikundu water works	4,361,950	-
• Drilling, sitting, equiping and construction of pump house for two boreholes and connecting them to the steel reservoir at Tshikonelo village	4,239,608	-
• Supply, install and repairs of 3xpumps, rewiring of 2 panels, 7x contractors, overloads relay and bearing at Mutale raw & clear water	3,979,446	-
• Development of boreholes at Luvhalan	3,900,664	-
• Unblock sewer between uif Building and kismat,Tile Africa Dunlop	-	1,864,254
• Electrify Ndouvhada and Smokey boreholes through Makhado Local Municipality	3,656,050	-
• Development of borehole at Tshikuwi	3,279,829	-
• Development of fraud and corruption hotline for a period of 36 months	1,133,226	1,772,568
• Replacement of faulty IMVA transformation at Malamulele west water works	3,162,989	-
• Reviewing agriculture development strategy	-	454,710
• Window Blinds at Vhembe District Municipality Head Office	-	102,000
• Implementation of Virtual Private Network for the period of 36 months	7,993,650	-
• Wall posters colour:full colour size :A1 weight :135 g gloss	-	51,500
• Provision of Advertisements	-	40,106
• Printing of council resolutions and rules of orders for council meeting	-	38,000

Figures in Rand	2024	2023
39. Commitments (continued)		
• Office software	-	32,775
• Law enforcement cards of 27 environmental health practitioners	-	4,050
• Upgrading of sewer line at Shayandima Industrial	3,327,867	-
• Sitting, testing and equipping of borehole for water supply at Olifantshoek villa	2,500,000	-
• Equip borehole at Malonga under Vuwani satelite	1,761,145	-
• Equip borehole at Bungeni under Hlanganani Satelite	1,999,965	-
• Siting, drilling and equipping of borehole at Songozwi village	1,779,800	-
• Appointment of service provider to conduct annual sewer reticulation system inspection at Thohoyandou and rietvlei WWTW	1,759,396	-
• Procurement of structural fire fighting uniform (re-advert)	1,616,837	-
• Appointment of service provider to apply water use authorisation licence for Malamulele WWWTW, Waterval WWTW, Makhado WWTW and BIABA Ponds	1,599,535	-
• Construct a dedicated line in Tshikhudini and installation of valve in manholes at Lufule2	1,574,065	-
• Develop a new borehole at Tshifudi Dimani and supply line at Tshifudi Munangwe	1,483,500	-
• Sitting and drilling (Re-drill) of new borehole at Slanger village	1,454,578	-
• Supply and Delivery of fire fighting uniform (re-advert)	1,407,140	-
• Sitting, drilling, testing and equiping of borehole for water supply at Wayeni village	1,340,083	-
• Appointment of service provider to develop and review process Audit at water and wastewater treatment works	1,293,750	-
• Appointment of service provider to conduct sludge management plan	1,242,000	-
• Supply and install 1.1 KM X 90MM UPVC pipe class 9 at VYEBOOM VILLAGE	1,106,796	-
• Procurement for instalation of tracking devices on vhembe district municipality	1,096,690	-
• Procurement for completion of drill tower and access to the road (paving)	843,025	-
• Repair and replace three valve at Makhado town LTT corner Kruger & RHU street	828,861	-
• Supply and installation of pump at Mowkop booster pump station	727,950	-
• Supply, Delivery and installation of high mast light at Vhembe District Disaster Management Centre (re-advert)	560,000	-
• Provision and erection of concrete palisade fence at Makhado Fire station	285,787	-
• Purchase of Environmental Health Practitioners Personal Protective Clothing	156,500	-
• Design for tractor shelter	130,750	-
• Rocurement of migration of users to exchange online	43,125	-
• 1x 4 Big latern Banners	28,500	-
• Procurement of 148 magnetic tags	15,643	-
• Procurement of A4 Photos	10,400	-
	207,302,890	**55,867,336**
Total operational commitments		
Already contracted for but not provided for	207,302,890	55,867,336
Total commitments		
Total commitments		
Authorised capital expenditure	700,317,500	1,113,230,918
Authorised operational expenditure	207,302,890	55,867,336
	907,620,390	**1,169,098,254**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	2,591,005	3,670,083
- in second to fifth year inclusive	-	2,226,995
	2,591,005	**5,897,078**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note Kutama ZN- Municipal Manager
Members of key management	Thangavhuelelo M- Chief Financial Officer
	Mukoma NM - General Manager Community Services
	Maluleke W - General Manager Technical Services
	Tshikovha NC - General Manager Corporate Services resigned as at 29 February 2024
	Muofhe TG - Acting General Manager Corporate Services
	Mphaphuli TK - Acting General Manager Corporate Services
	Daswa SS - Acting General Manager Econimic Development and Planning
	Nempumbuluni TC - Acting General Manager Econimic Development and Planning
	Mapholi NC - Acting General Manager Econimic Development and Planning
Executive Mayor	Councillor TF Nkondo
Speaker	Councillor DA Nenguda
Chief Whip	Councillor ME Muhlope
Members of Mayoral Committee	Councilor NCR Mathukha Councillor MG Chauke Councillor AM Mamedzi Councillor ADV. NA Mudunungu Councillor SM Sinyosi Councillor T Mundalamo Councillor RG Machovani Councillor NS Munyai Councillor TJ Bila (Resigned 11 June 2024) Councillor AV Kotane Councillor NJ Mukwevho

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Related parties (continued)

Other Councillors

1. Councillor FM Begwa
2. Councillor FT Dau
3. Councillor TR Matidza
4. Councillor AJ Davhana
5. Councillor L Davhana
6. Councilor TL Hlabangwani (Resigned 13 October 2023)
7. Councillor HG Mabudu
8. Councillor MC Mabunda
9. Councillor E Madzunya
10. Councillor NG Mahosi
11. Councillor TN Makumbane
12. Councillor M Makwala
13. Councillor MRT Marole
14. Councillor GD Masangu
15. Councillor ML Mathalise
16. Councillor TT Matshomo
17. Councillor C Mhangwani
18. Councillor MJ Mpashe
19. Councillor S Muavha
20. Councillor ET Muedi
21. Councillor TS Pandelani
22. Councillor AJ Mukhaha
23. Councillor R Mukhuba
24. Councillor M Mukosi
25. Councillor M Kennedy
26. Councillor M Mulaudzi
27. Councillor HP Mulovhedzi
28. Councillor M Muligwe
29. Councillor A Nekhunguni
30. Councillor K Nemaranzhe
31. Councillor SFL Ndhlovu
32. Councillor TP Matodzi
33. Councillor R Rabambukwa
34. Councillor RG Ramabulana
35. Councillor LR Rambuwani
36. Councillor TP Rivombo
37.Councillor KR Muthubi
38. Councillor JN Simangwe
39. Councillor IA Tshidavhu
40. Councillor AS Tshifhango
41. Councillor T Yingwani
42. Councillor FJ Rikhotso
43. Councillor MS Machethe
44. Councillor MS Matamela
45. Councillor TW Mphaho
46. Councillor H Mtileni
47. Councillor RP Mundalamo
48. Councillor RG Nkanyane

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Remuneration of management

Management class: Senior management

2024

Name	Actig allowance	Basic salary	Contributions to UIF, Medical and Pension Funds	Car allowance	Bonus	Leave pay	Cellphone allowance	Accommodati on travel and incidental	Total
Municipal Manager	-	1,025,729	159,359	439,382	26,031	-	30,000	3,819	1,684,320
General Manager Community Services	-	854,066	186,675	304,267	53,198	-	-	1,780	1,399,986
Chief Financial Officer	-	854,066	150,380	338,907	65,753	-	24,000	1,214	1,434,320
General Manager Corporate Services	-	591,053	115,036	163,659	54,790	37,874	-	-	962,412
General Manager Economic and Development Planning	-	48,870	-	-	-	-	-	-	48,870
General Manager Technical Services	-	854,066	223,489	230,735	63,838	-	-	981	1,373,109
Acting General Manager Economic Development and Planning - SS Daswa	1,009	-	-	-	-	-	-	-	1,009
Acting General Manager Economic Development and Planning - NC Mapholi	2,018	-	-	-	-	-	-	-	2,018
Acting General Manager Corporate services - TK Mphaphuli	1,009	-	-	-	-	-	-	-	1,009
Acting General Manager Corporate services - TG Muofhe	1,393	-	-	-	-	-	-	-	1,393
	5,429	**4,227,850**	**834,939**	**1,476,950**	**263,610**	**37,874**	**54,000**	**7,794**	**6,908,446**

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

2023

Name	Acting allowance	Basic salary	Contributions to UIF, Medical and Pension Funds	Car allowance	Bonus	Housing allowance	Leave pay	Cellphone allowance	Accommodation travel and incidental	Total
Municipal Manager	-	355,463	64,824	112,397	25,647	655	48,010	-	-	606,996
General Manager Corporate Services	67,340	807,152	168,998	250,571	63,838	-	-	-	1,709	1,359,608
Chief Financial Officer	14,046	802,660	203,906	269,002	62,895	-	-	24,000	975	1,377,484
General Manager Technical Services	-	801,997	220,332	230,490	57,653	-	-	-	-	1,310,472
General Manager Economic and Development Planning	-	754,561	126,989	119,468	63,838	187,076	61,285	22,000	1,722	1,336,939
General Manager Community Services	-	641,140	140,970	247,937	-	-	-	-	960	1,031,007
	81,386	**4,162,973**	**926,019**	**1,229,865**	**273,871**	**187,731**	**109,295**	**46,000**	**5,366**	**7,022,506**

Management class: Councillors

2024

Name	Basic salary	Cellphone allowance	Travelling Allowance	Total
Executive Mayor	911,402	45,000	-	956,402
Speaker	833,447	42,493	-	875,940
Chiefwhip	534,761	42,356	184,166	761,283
Other Councillors	5,105,788	629,200	2,207,276	7,942,264
Mayoral committee members	3,582,251	309,099	1,673,069	5,564,419
	10,967,649	**1,068,148**	**4,064,511**	**16,100,308**

40. Related parties (continued)

2023

Name	Basic salary	Cellphone allowance	Travelling Allowance	Total
Executive Mayor	942,327	37,200	-	979,527
Speaker	752,067	37,200	4,117	793,384
Chiefwhip	516,040	37,200	195,517	748,757
Other Councillors	5,874,748	555,250	1,087,009	7,517,007
Mayoral committee members	2,953,424	190,400	1,511,286	4,655,110
	11,038,606	**857,250**	**2,797,929**	**14,693,785**

Mayoral Committee members

2024

Name	Basic salary	Subsistence Allowance	Cellphone Allowance	Travel Allowance	Total
CHAUKE M.G	326,210	9,414	-	176,847	512,471
MUNYAI N.S	193,031	-	-	109,822	302,853
MATHUKHA N.R	564,564	877	42,200	297,909	905,550
MUKWEVHO N.J	531,761	160	43,450	269,871	845,242
MUNDALAMO T	315,133	-	45,000	99,350	459,483
MACHOVANI R.G	315,133	-	45,000	99,350	459,483
SINYOSI S.M	316,040	820	43,450	159,123	519,433
KOTANE A.V	283,705	-	45,000	90,268	418,973
BILA T.J	303,491	3,077	-	192,152	498,720
MUDUNUNGU N.A	144,949	-	-	45,322	190,271
MAMEDZI A.M	272,512	1,373	45,000	133,055	451,940
	3,566,529	**15,721**	**309,100**	**1,673,069**	**5,564,419**

2023

40. Related parties (continued)

Name	Basic salary	Cellphone Allowance	Travel Allowance	Subsistence Allowance	Total
Mudunungu N.A	305,556	-	120,971	-	426,527
Chauke M.G	303,756	-	186,401	442	490,599
Tshifhango A.S	309,556	-	186,265	3,317	499,138
Sinyosi S.M	527,137	37,200	295,046	7,643	867,026
Mathukha N.R	532,670	37,200	279,797	3,682	853,349
Mundalamo T	293,337	37,200	103,306	80	433,923
Mamedzi A.M	293,337	37,200	162,815	1,072	494,424
Pandelane T.S	95,219	4,400	57,945	320	157,884
Machovani R.G	292,856	37,200	102,184	-	432,240
	2,953,424	**190,400**	**1,494,730**	**16,556**	**4,655,110**

41. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Inventories		36,788,929	117,922,248	154,711,177
Trade and other receivables from exchange transactions		35,709,272	(61,418,575)	(25,709,303)
Trade and other Receivables from non-exchange transactions		32,546,907	-	32,546,907
VAT receivable		187,140,452	27,823,057	214,963,509
Cash and cash equivalents		131,893,379	-	131,893,379
Property, plant and equipment		5,499,341,615	128,859,108	5,628,200,723
Intangible assets		7,270,181	-	7,270,181
Payables from exchange transactions		(550,292,198)	(7,477,289)	(557,769,487)
Taxes and transfers payables (non -exchange)		(2,086,000)	-	(2,086,000)
Cunsumer deposits		(4,409,170)	-	(4,409,170)
Unspent conditional grants		(12,962,123)	-	(12,962,123)
Current portion Provisions		(68,123,711)	-	(68,123,711)
Non-current portion Provisions		(7,604,242)	-	(7,604,242)
Accumulated surplus		(5,285,213,291)	(205,708,549)	(5,490,921,840)
		-	-	-

2023

	Note	As previously reported	Correction of error	Restated
Inventories	2	27,387,764	122,685,877	150,073,641
Receivables from exchange transactions	3	52,093,721	22,210,085	74,303,806
Receivables from non exchange transactions	4	39,874,806	-	39,874,806
VAT receivable	5	207,853,787	45,697,804	253,551,591
Cash and cash equivalents	6	130,688,141	-	130,688,141
Property, plant and equipment	8	5,989,687,951	150,892,035	6,140,579,986
Intangible assets	9	6,455,473	-	6,455,473
Payables from exchange transactions	10	(671,741,812)	651,507	(671,090,305)
Taxes and transfers payables (non -exchange)		(2,086,000)	-	(2,086,000)
Cunsumer deposits	12	(4,409,170)	-	(4,409,170)
Unspent conditional grants	13	(41,416,471)	-	(41,416,471)
Current portion Provisions	14	(70,768,293)	-	(70,768,293)
Non-current portion Provisions	14	(7,498,755)	-	(7,498,755)
Accumulated surplus		(5,656,121,142)	(342,137,308)	(5,998,258,450)
		-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions	15	746,265,505	(101,728,546)	-	644,536,959
Interest on investments	16	28,590,547	-	-	28,590,547
Sale of goods and rendering of services	17	961,252	-	-	961,252
Operational revenue	18	53,269	-	-	53,269
Rental of facilities and equipment		942	-	-	942
Interest on receivables	20	83,200,031	(5,948,858)	-	77,251,173
Licence and permits	21	442	-	-	442
Licence and permits - non exchange	24	270,785	-	-	270,785
Transfers and subsidies	25	(400,000)	-	-	(400,000)
Goverment grants & subsidies	26	1,903,012,478	24,654,203	-	1,927,666,681
Employee related costs	31	(706,417,968)	-	-	(706,417,968)
Remuneration of councillors		(14,693,785)	-	-	(14,693,785)
Depreciation and amortisation	33	(186,175,002)	-	-	(186,175,002)
Impairment loss	32	(839,252,936)	-	831,886,357	(7,366,579)
Debt impairment		-	206,549,026	(831,886,357)	(625,337,331)
Contracted services	28	(231,692,413)	-	-	(231,692,413)
Operational costs	34	(193,095,377)	5,800	-	(193,089,577)
Inventory consumed		(213,828,149)	12,897,139	-	(200,931,010)
Lease rentals on operating lease	30	(3,326,266)	-	-	(3,326,266)
Finance costs	29	(2,565,578)	-	-	(2,565,578)
Surplus for the year		**370,907,777**	**136,428,764**	**-**	**507,336,541**

Errors

41. Prior-year adjustments (continued)

41.1 Trade and other receivables from exchange transactions

Accounts or meters billed on estimates while actual available
During 2022/23 and 2021/22 financial years the municipality have accounted for service charges on estimated consumptions where actual consumption were taken or available.

The municipality obtained the latest actual consumption in the 2023/24 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges. The adjustments resulted to correction of error both in the 2022/23 and 2021/22 financial years as follows

-For 2022/23 financial year the adjustment resulted to a decrease in Service charges by R117 174 428, decrease in Output VAT accrual by R17 576 164 and decrease in Trade and other receivables by R134 750 592. This adjustments indicated that the estimated consumption overstated service charges, VAT out accrual and Trade and other receivables in the 2022/23 financial year.

-For 2021/22 financial year the adjustment resulted in a decrease in accumulated surplus by R67 774 544, decrease in Output VAT accrual by R10 163 926 and Trade and other receivables by R77 938 469. The adjustments also indicated that the estimated consumption overstated accumulated surplus, VAT output accrual and Trade and other receivables during the 2021/22 financial year.

Accounts which were not billed
During 2022/23 and 2021/22 financial year the municipality did not account for service charges on other customers while the municipality had an actual reading obtained

After obtaining the latest actual consumption of those accounts or meters the municipality connected those meters on the system and billed them, the consumption was then apportioned over 3 financial years from 2023/24 financial year. The adjustments resulted in a correction of error both in 2022/23 and 2021/22 financial years as follows:

- 2022/23 financial year the adjustment resulted in an increase in Service charges by R562 670 increase in VAT out accrual by R84 400 and increase in Trade and other receivables by R647 070

- 2021/22 Financial year the adjustment resulted in an increase in Accumulated surplus by R4 698 751, increase in VAT output accrual by R704 813 and increase in Trade and other receivables by R5 403 564. The adjustment indicates that the Services charges, VAT output accrual and Trade and other receivables were understated.

Accounts billed with incorrect tariffs
During 2022/23 and 2021/22 financial year the municipality used incorrect tariffs to some Governments and schools account to bill and record service charged occurred.

The municipality identified all those accounts and corrected all accounts affected both in 2022/23 and 2021/22 financial years through credit and debit notes in the 2023/24 financial year and apportioned the effected of the debit and credit notes back to 2022/23 and 2]021/22 financial years. The adjustments resulted in a correction of error as follows:

- 2022/23 Financial year the debit and credit notes resulted in a decrease in Service charges by R1 411 540, decrease in VAT output accrual by R198 946 and decrease in Trade and other receivables by R1 610 486.

- 2021/22 Financial year the debit and credit notes resulted in an increase in Accumulated surplus by R1 266 525, increase in VAT output accrual by R145 156 and increase and Trade and other receivables by R1 411 682.

The municipality also incorrect accounted service charge on an incorrect consumption due to incorrect factor on bulk meters, the adjustment resulted in a correction of error as follows:

-2022/23 financial year adjustments resulted to increase in service charges by R133 523, Increase in VAT output accrual by R23 563 and increase in Trade and other receivables by R157 086.

-2021/22 financial year adjustments resulted to increase in accumulated surplus by R15 612, increase in VAT output accrual by R2 755 and Trade and other receivables by R18 367.

41. Prior-year adjustments (continued)

Debit and credit notes
The municipality processed debit and credit notes during 2023/24 financial year to correct inaccurate billing in the prior year's either due to incorrect tariffs, consumption or incorrect interest charged.

The debit notes processed resulted in a correction of error as follows: 2022/23 financial year resulted in an increase in Service charges by R26 493 357, increase in Interest by R1 525, increase in VAT by R3 974 003 and Trade and other receivables by R30 468 885

2021/22 financial year resulted in an increase in Accumulated surplus by R5 241 337, increase in VAT output accrual by R786 201 and Trade and other receivables by R6 027 537.

Credit notes processed resulted in a correction of error as follows:2022/23 financial year Service charges decreased by R13 952 020, decrease in VAT output accrual by R2 092 803, decrease in interest by R5 950 383 and decrease in Trade and other receivables by R21 995 206

2021/22 financial year Accumulated surplus decreased by R23 590 216, VAT output accrual decreased by R2 971 014 and Trade and other receivables decreased by R26 561 230.

Trade and other receivable from exchange transactions were restated by an amount of R22 210 085.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Prior-year adjustments (continued)

41.2 VAT Payable / Receivable

During 2022/23 and 2021/22 financial years the municipality have accounted for service charges on estimated consumptions where actual consumption were taken or available. The municipality obtained the latest actual consumption in the 2023/24 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges.

-For 2022/23 financial year the adjustment resulted to a decrease in decrease in Output VAT accrual by R17 576 164. The adjustments indicated that the estimated consumption overstated VAT out accrual.

-For 2021/22 financial year the adjustment resulted in a decrease in Output VAT accrual by R10 163 926. The adjustments also indicated that the estimated consumption overstated VAT output accrual.

During 2022/23 and 2021/22 financial year the municipality did not account for service charges on other customers while the municipality had an actual reading obtained. After having obtained the latest actual consumption of those accounts or meters the municipality connected those meters on the system and billed them, the consumption was then apportioned over 3 financial years from 2023/24 financial year.

-2022/23 financial year the adjustment resulted in an increase in VAT out accrual by R84 400. 2021/22 financial year the adjustment resulted in an increase in VAT output accrual by R704 813. The adjustment indicates that VAT output accrual.

During 2022/23 and 2021/22 financial year the municipality used incorrect tariffs to some Governments and schools account to bill and record service charged occurred. The municipality identified all those accounts and corrected all accounts affected both in 2022/23 and 2021/22 financial years through credit and debit notes in the 2023/24 financial year and apportioned the effected of the debit and credit notes back to 2022/23 and 2021/22 financial years.

- 2022/23 financial year the debit and credit notes resulted in a decrease in VAT output accrual by R198 946.

The municipality processed debit and credit notes during 2023/24 financial year to correct inaccurate billing in the prior year’s either due to incorrect tariffs, consumption or incorrect interest charged.

2022/23 financial year resulted in an increase in VAT by R3 974 003 and in 2021/22 financial year resulted in an increase in VAT output accrual by R786 201.

2022/23 financial year a decrease in VAT output accrual by R2 092 803 and in 2021/22 financial year a decreased in VAT output accrual decreased by R2 971 014.

During the 2022/23 financial year Vhembe District Municipality was indebted to Lepelle Northern Water for the sum of R99 719 730. During the 2023/24 financial year Lepelle Northern Water discovered that the sum of R99 719 730 included invoices amounting to R8 806 666 which did not belong to Vhembe District Municipality then VDM was granted a credit note for the amount of R8 806 666. This resulted in Decrease in Payables from exchange transactions by R8 806 666, decrease in Inventory consumed by R7 485 666 and VAT input accrual by R1 321 000.

VAT receivable / payables were restated by an amount of R45 697 804.

41. Prior-year adjustments (continued)

41.5 Interest on receivables

The municipality processed debit and credit notes during 2023/24 financial year to correct inaccurate billing in the prior year's either due to incorrect tariffs, consumption or incorrect interest charged.

The debit notes processed resulted in a correction of error as follows: During 2022/23 financial year debit notes processed resulted in an increase in Interest by R1 525.

Credit notes processed resulted in a correction of error as follows:During 2022/23 financial year Credit notes processed resulted in a decrease in interest by R5 950 383.

Interest on receivables was restated by an amount of R5 948 858.

41.6 Trade payables from exchange transactions

During the 2022/23 financial year Vhembe District Municipality was indebted to Lepelle Northern Water for the sum of R99 719 730. During the 2023/24 financial year Lepelle Northern Water discovered that the sum of R99 719 730 included invoices amounting to R8 806 666 which did not belong to Vhembe District Municipality then VDM was granted a credit note for the amount of R8 806 666. This resulted in Decrease in Payables from exchange transactions by R8 806 666, decrease in Inventory consumed by R7 485 666 and VAT input accrual by R1 321 000.

During the 2023/24 financial year the municipality discovered that they had incorrectly captured an invoice twice on the incorrect expendiure and the invoice processed on the incorrect expenditure was the reversed through a credit note amounting to R5 800. This resulted in a decrease in trade payables from exchange transactions

Makhado West Bulk Infrastructure project is funded by RBIG under 6B schedule, since the municipality is the implemanting agent in the project and there for based on substance over form the municipality has capacity to implement the project and with that the project has been recorded in the books of the municipality.This has resulted in an increase in retentions by R8 160 950.

Trade payables from exchange transactions were restated by an amount of R651 507.

41.7 Inventory consumed

During the 2022/23 financial year Vhembe District Municipality was indebted to Lepelle Northern Water for the sum of R99 719 730. During the 2023/24 financial year Lepelle Northern Water discovered that the sum of R99 719 730 included invoices amounting to R8 806 666 which did not belong to Vhembe District Municipality then VDM was granted a credit note for the amount of R8 806 666. This resulted in Decrease in Payables from exchange transactions by R8 806 666, decrease in Inventory consumed by R7 485 666 and VAT input accrual by R1 321 000.

Inventory consumed have been adjusted by an amount of R12 897 139.

41.8 Capital commitments

Opening balance	-	703,128,602
Adjustments made	-	410,102,316
Restated opening balance	**-**	**1,113,230,918**

The restatement is attributed to errors on capital expenditure and contractual amounts ranging from the Formular errors and Ommissions. The errors resulted to correction amounting to R281 995 410.

41. Prior-year adjustments (continued)

41.9 Inventory

The Municipality has made significant adjustment on the customer accounts to correct the meter consumption whom were billed by estimate whereas there was an actual reading that resulted in understatement of inventory. The effect of adjustment affected 2022 and 2023 financial year by an increase in meter consumption by 7 990 899.01 and 11 578 584.73 units respectively to correct misstatement on the water inventory, the Municipality have apportion the adjustment to its correct financial year.

Municipality had incorrectly calculated the water inventory in 2022 and 2023 financial year respectively after not taking into account inventory on hand on the bulk pipe lines and inventory on hand on the plant which resulted in understated inventory on hand, an estimated 7156286 kilo-liter and 7743214 kilo-liter of inventory on hand on bulk pipelines were adjusted for 2022 and 2023 respectively and an estimated 24 062 400 kilo-liter and 25358400 kilo-liter adjusted inventory on hand on plants.

The changes has resulted in a prior period change in water losses.

Water inventory have been adjusted by an amount of R122 685 877.

41.10 Debt impairment and Bad debt impairment provision

Performed a correction on Provision of impairment to align with GRAP 104 and to take into account the correction of adjustments on revenue in the prior year whch had an effect on the Consumer receivables.

Debt impairment has been adjusted down by R206 549 026.

41.11 Property, Plant and equipment

Makhado West Bulk Infrastructure project is funded by RBIG under 6B schedule, since the municipality is the implemanting agent in the project and there for based on substance over form the municipality has capacity to implement the project and with that the project has been recorded in the books of the municipality.

This has resulted in an increase in property plant and equipment by R150 892 035 as at 30 June 2023.

41.12 Revenue from non-exchange revenue

Makhado West Bulk Infrastructure project is funded by RBIG under 6B schedule, since the municipality is the implemanting agent in the project and there for based on substance over form the municipality has capacity to implement the project and with that the project has been recorded in the books of the municipality. Therefore revenue from the grant was also corrected. This has resulted in an increase in revenue from non-exchange revenue by R24 654 203.

Reclassifications

The following reclassifications adjustment occurred:

41.2 Debt impairrment and Impairment losses

Debt impairment loss has been disclosed in the face of Statement of Financial Performance which was previously disclosed under a note of impairment losses.

42. Change in estimate

Property, plant and equipment

The municipality reviewed useful life of Property, plant and equipment for both Movables Assets and Infrastructure Assets during the current financial year. The review of useful life resulted in the following net effect on the current year depreciation charge.

Movables total depreciation charge was reduced by R354 608.

Infrastructure total depreciation charge was reduced by R5 203 899.

The overall depreciation was reduced by R5 558 506.

43. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages the liquidity risk through an ongoing review of future commitments and credit facilities.

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

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

Credit risk

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

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

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

Financial instrument	**2024**	**2023**
Receivables from exchange transactions	33,989,744	74,303,806
Receivables from non-exchange transactions	35,585,133	39,874,806
Payables from exchange transactions	(626,258,957)	(671,090,306)
Taxes and transfers payable (non-exchange)	(2,086,000)	(2,086,000)
Consumer deposits	(4,409,170)	(4,409,170)

Market risk

Interest rate risk

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

Figures in Rand	2024	2023

44. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus (deficit) of 6,392,940,563 and that the municipality's total liabilities exceed its assets by 6,392,940,563.

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 and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

45. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

The municipality incurred interest and penalties from SARS amounting to R73 217 285. These interest and penalties were incurred in July 2024 relating to the following tax periods: December 2023, January 2024 and February 2024. The municipality initially submitted all these returns within the prescribed time frame and the refunds were also processed from SARS but the municipality realized that the refunds which were received were more than the amount SARS owed the Municipality for VAT and informed SARS of the issue noted.

After SARS investigation and conclusion, SARS went to charge the Municipality with penalties and interest which the Municipality immediately disputed the penalties and interest and therefore filed suspension of payment and request for remission which this process or request is still in progress from SARS after SARS rejected the initial request as a result of improper documenting the reasons for remission which the Municipality re-submitted the request for remission and still awaiting SARS conclusion on the matter.

46. Unauthorised expenditure

Opening balance as previously reported	222,594,309	577,964,675
Add: Unauthorised expenditure - current	-	190,013,245
Less: Amount authorised - current	(222,594,309)	(545,383,611)
Closing balance	**-**	**222,594,309**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	190,013,245

Analysed as follows: non-cash

Provision of impairment	-	190,013,245

Analysed as follows: cash

47. Fruitless and wasteful expenditure

Opening balance as previously reported	2,541,344	84,018
Add: Fruitless and wasteful expenditure identified - current	305,780	2,565,578
Less: Amount recovered - current	(2,541,344)	-
Less: Amount written off - current	-	(108,252)
Closing balance	**305,780**	**2,541,344**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Irregular expenditure

Opening balance as previously reported	37,375	54,896,841
Add: Irregular expenditure - current	114,784,141	81,604,955
Add: Irregular expenditure - prior period	2,965,682	-
Less: Amount written off - current	(117,787,198)	(136,464,421)
Closing balance	**-**	**37,375**

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

Appointment of service providers after expiry of validity period	-	2,595,648
Bids without local content declaration	-	1,219,944
Employees or relative employed by state or municipal that have interests in entities that made business with the municipality and other state employees have interest in VDM	1,172,331	2,608,201
Evaluation criteria not consistent with the Preferential Procurement Regulation	45,918,635	57,258,185
Non-compliance with Tax Matters	53,465,885	4,064,091
Supply Chain Management Process were not followed	14,227,290	13,024,072
Wrong application of Contract RT57-2019 or MMA and SM General Projects and Logistics	-	834,814
	114,784,141	**81,604,955**

49. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	8,116,062	7,299,231
Amount paid - current year	(8,116,062)	(7,299,231)
	-	-

Material losses

Opening balance as previously reported	1,230,441,443	866,922,211
Current year movements	632,463,732	553,612,221
	1,862,905,175	**1,420,534,432**

Audit fees

Current year subscription / fee	7,717,223	7,287,730
Amount paid - current year	(7,717,223)	(7,287,730)
	-	-

PAYE and UIF

Current year subscription / fee	127,518,745	110,772,615
Amount paid - current year	(127,518,745)	(110,772,615)
	-	-

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

Current year subscription / fee	51,977,279	44,510,848
Amount paid - current year	(51,977,279)	(44,510,848)
	-	-

VAT

VAT (payable) receivable	(271,964,259)	253,551,591

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

Deviations from Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the supply chain management policy needs to approved/condoned by the accounting officer and noted by council. The expenses incurred as listed hereunder have been approved by the accounting officer and noted by council.

Incident		
Repairs and maintenance of vehicles and equipment	6,431,097	6,069,992
Advertising and Marketing	657,115	612,120
Trainning and Registration Fees	1,125,064	1,834,644
IT services	-	1,311,275
Professional Fees	727,406	95,424
Event Management	-	442,461
Stationery	138,319	113,295
Accommodation and Meals	-	143,750
Entertainment	465,200	-
	9,544,201	**10,622,961**

Notes to the Annual Financial Statements

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public safety, Economic and Enviromental and Trading servicesl services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Limpopo Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout limpopo 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 and Public safety	Community and social services
Economic and Enviromental	Planning and development
Trading services	Provision of Water and Waste Water Management services
Governance and administration - not a reportable segment***	Provision of support services to the three reportable segments

Segment surplus or deficit, assets and liabilities

50. Segment information (continued)

2024

	Community and Public safety	Economic and Enviromental	Trading services	Governance and administration - not a reportable segment***	Total
Revenue					
Revenue from non-exchange transactions	66,312,065	108,823,564	895,737,249	1,007,845,346	2,078,718,224
Revenue from exchange transactions	662,848	2,631	318,666,763	183,269,251	502,601,493
Total segment revenue	**66,974,913**	**108,826,195**	**1,214,404,012**	**1,191,114,597**	**2,581,319,717**
Entity's revenue					**2,581,319,717**
Expenditure					
Salaries and wages	136,270,454	15,735,816	389,739,547	253,780,925	795,526,742
Contracted Services	7,850,127	2,037,346	156,535,400	124,755,285	291,178,158
Depreciation and Amortisation	-	-	145,312,735	18,864,852	164,177,587
Inventory Consumed	464,450	-	230,990,741	5,564,055	237,019,246
Impairment losses	-	-	10,679,286	439,819,865	450,499,151
Operational Cost	3,019,667	6,054,329	160,091,739	75,096,408	244,262,143
Total segment expenditure	**147,604,698**	**23,827,491**	**1,093,349,448**	**917,881,390**	**2,182,663,027**
Total segmental surplus/(deficit)					**398,656,690**
Interest expense					305,780
Operating Leases					3,668,788
Entity's surplus (deficit) for the period					**394,682,122**
Assets					
Segment assets	699,782,497	2,518,458,345	4,322,608,832	-	7,540,849,674
Total assets as per Statement of financial Position					**7,540,849,674**

50. Segment information (continued)

	Community and Public safety	Economic and Enviromental	Trading services	Governance and administration - not a reportable segment***	Total
Liabilities					
Segment liabilities	558,481	13,240,742	1,743,631,489	-	1,757,430,712
Total liabilities as per Statement of financial Position					**1,757,430,712**

Governance and administration - not a reportable segment***

The governance and administration is not a reportable segment as defined however, the information pertaining to this function is presented to reconcile the; municipality's segment deficit / surplus with the amount reported in the statement of financial performance and the municipality's segment assets and liabilties with the balances in the statement of financial position.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

Information about geographical areas

The municipality’s operations are in the Limpopo Province.

The municipality has four local municipalities which it currently service and operate on, however there is no avaiable reportable information on the following :
- Revenues from non-exchange transactions and external revenues from exchange transactions attributed to the wards
- Total expenditure attributed to the local municipality
- Non-current assets attributed to local municipality

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

51. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangment is as follows:

Vhembe District Municipality which is a water authority entered to a principal -agent agreement with Musina Local Municipality.

Vhembe District Municiplity is a Principal and Musina Local municipality is an agent on the agreement.

Vhembe District Municipality which is a water authority entered to an agreement with Musina Local Municipality, where Musina Local Municipality bill and collect water and sanitation revenue on behalf of Vhembe District Municipality.

Musina Local Municipality collect warer and sanitation revenue and hand it to Vhembe District Municipality and Vhembe District Municipality reimburse Musina Local Municipality all the costs incurred in billing and collecting water and sanitation revenue of behalf of Vhembe District Municipality.

Entity as principal

Fee paid

Fee paid as compensation to the agent	5,516,097	4,728,626

Vhembe District also pay 15 % commission fee of amount collected to Musina Local Municipality for billing and collecting water and sanitation revenue on behalf of Vhembe District Municipality.

There were are no changes which occurred during the reporting period.