CAPRICORN DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

General Information

Executive Mayor	Teffo MK
Speaker	Pheedi MS (Resigned 11 June 2024)
	Masoga P (Appointed Acting Speaker 27 June 2024)
Chief Whip	Malebana CWD (Resigned 11 June 2024)
Members of the Mayoral Committee	Mahlatji MS (Strategic Executive Management Services)
	Makhura MH (Sports, Arts and Culture)
	Mamabolo CM (Local Economic Development)
	Masoga MC (Development Planning and Environmental Management Portfolio Committee)
	Mohale MM (Infrastructure Services)
	Rahlana ME (Community Services)
	Ramokolo MM (Finance)
	Selamolela MS (Corporate Services)
Chairperson of Committees	Lebese MJ (Community Services)
	Machaba MJ (Sport, Arts & Culture)
	Masemola SG (Infrastructure Services)
	Masoga PS (Committee of Chairpersons)
	Masubelele JA (Ethics, Rules and Integrity)
	Mothata ML (Municipal Public Accounts)
	Muthabine Rufus (Corporate Services) (Resigned 08 November 2023)
	Phukubje D (Strategic Support)
	Ralefatane MJ (Development Planning and Environmental Management)
	Tshoshi MM (Finance)
Members	Botha HA
	Chidi DRT (Resigned 13 June 2024)
	Chula MI
	Clarke SE
	Dikgale SJ
	Hamise LH (Resigned 08 November 2023)
	Hiine PJ
	Kekana MS
	Lebese GM
	Lebogo J (Resigned 10 June 2024)
	Lehong MV
	Mabote MG (Resigned 08 November 2023)
	Mahladisa M
	Mailula KE (Appointed 20 November 2023)
	Malatji MK (Appointed 20 November 2023)
	Malebana TG
	Maleka PI
	Mamadi E (Appointed 20 November 2023)
	Mampuru MT
	Masekwameng MR
	Matonzi T
	Mocke B
	Mogale KK

General Information

	Mogoboya ML (Appointed 20 November 2023) Mokome MS Molokomme MM Moloto MH (Resigned 08 November 2023) Morokolo MD Moshoeu PE (Appointed 20 November 2023) Mothiba TP Motolla MO Murwa TPK Muthabine R (Resigned 08 November 2023) Ngwasheng A Ntjana MI Pheedi MR (Resigned 08 November 2023) Phogole ML Ramaphoko MM Takalo MS Themane MD Thobejane (Resigned 18 June 2024)
Grading of local authority	Category B - Grade 5
Acting Chief Finance Officer (ACFO)	Tiro Pilusa (01 June 2023 - 30 April 2024) Mariétte Venter (01 May 2024 - 30 June 2024)
Accounting Officer	Ramakuntwane Selepe
Business address	41 Biccard Street Polokwane 0699
Postal address	Private Bag X4100 Polokwane 0700
Bankers	First National Bank (Primary account)
Auditors	Auditor General of South Africa
Contact details	015 294 1000
Email address	info@cdm.org.za

Contents

Abbreviations used:

EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act, No. 56 of 2003
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay-As-You-Earn
SALGA	South Africa Local Government Association
UIF	Unemployment insurance fund
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on page 6, 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:

Ramakuntwane Selepe
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local government activities and operates only in South Africa.

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

Net surplus of the municipality was R 421 053 941 (2023: surplus R 405 936 877).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 4 433 175 880 and that the municipality's total assets exceed its liabilities by R 4 433 175 880.

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 is prepared in accordance with the South African Statements of Generally Recognised Accounting Practice(GRAP), including any interpretations of such Statements issued by the Accounting Standards Board(ASB), as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Nationality
Ramakuntwane Selepe	South African

6. Corporate governance

General

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

7. Auditors

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

The annual financial statements set out on page 6, 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:

Ramakuntwane Selepe
Municipal Manager

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	11 872 739	7 426 001
Receivables from exchange transactions	4	14 865 873	19 180 450
Receivables from non-exchange transactions	5	3 597 678	4 444 610
VAT receivable	6	34 602 369	36 950 408
Prepayments	7	4 966 269	4 477 826
Consumer debtors	8	61 249 739	62 284 632
Cash and cash equivalents	9	580 733 232	493 700 447
		711 887 899	**628 464 374**
Non-Current Assets			
Property, plant and equipment	10	4 227 196 901	3 795 179 299
Intangible assets	11	2 141 961	2 549 602
Heritage assets	13	70 716	70 716
		4 229 409 578	**3 797 799 617**
Total Assets		**4 941 297 477**	**4 426 263 991**
Liabilities			
Current Liabilities			
Finance lease obligation	14	593 178	874 146
Operating lease liability	15	123 340	258 400
Payables from exchange transactions	16	346 108 761	263 834 899
Employee benefit obligation	17	42 554 124	41 633 546
		389 379 403	**306 600 991**
Non-Current Liabilities			
Finance lease obligation	14	1 285 141	-
Employee benefit obligation	17	117 457 053	107 541 066
		118 742 194	**107 541 066**
Total Liabilities		**508 121 597**	**414 142 057**
Net Assets		**4 433 175 880**	**4 012 121 934**
Accumulated surplus		4 433 175 880	4 012 121 934
Total Net Assets		**4 433 175 880**	**4 012 121 934**

* See Note 48

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

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	78 861 143	84 041 073
Other income	20	1 239 103	388 680
Interest received	21	112 541 169	91 412 669
Actuarial gains	17	5 421 206	17 302 318
Total revenue from exchange transactions		**198 062 621**	**193 144 740**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	1 239 058 275	1 147 309 086
Public contributions and donations	23	1 912 089	847 992
Fines, Penalties and Forfeits	24	-	26 301 279
Total revenue from non-exchange transactions		**1 240 970 364**	**1 174 458 357**
Total revenue	25	**1 439 032 985**	**1 367 603 097**
Expenditure			
Employee related costs	26	(366 472 252)	(353 601 800)
Remuneration of councillors	27	(17 236 269)	(16 329 363)
Depreciation and amortisation	28	(80 411 388)	(75 885 282)
Impairment of assets	29	(17 208 294)	(14 681 705)
Finance costs	30	(58 657)	(115 536)
Lease rentals	31	(7 526 086)	(6 316 254)
Debt impairment	32	(102 585 318)	(110 108 127)
Bad debts written off	33	(17 500)	(4 435)
Commission expense	34	(37 679 752)	(37 924 320)
Inventories consumed	35	(102 502 236)	(65 083 489)
Contracted services	36	(107 435 474)	(96 404 227)
Assets written-off	37	(9 657 485)	(1 906 254)
Inventories losses/write-downs	3	(26 650 640)	(30 075 071)
Derecognition of assets	39	-	(14 338 097)
General Expenses	40	(112 221 551)	(105 734 115)
Auditors remuneration	41	(4 769 948)	(3 916 737)
Repairs and maintenance	42	(25 546 194)	(29 241 408)
Total expenditure		**(1 017 979 044)**	**(961 666 220)**
Surplus for the year		**421 053 941**	**405 936 877**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	3 647 340 483	3 647 340 483
Adjustments		
Prior year adjustments 48	(41 155 426)	(41 155 426)
Balance at 01 July 2022 as restated*	**3 606 185 057**	**3 606 185 057**
Changes in net assets		
Surplus for the year	405 936 877	405 936 877
Total changes	405 936 877	405 936 877
Restated* Balance at 01 July 2023	**4 012 121 939**	**4 012 121 939**
Changes in net assets		
Surplus for the year	421 053 941	421 053 941
Total changes	421 053 941	421 053 941
Balance at 30 June 2024	**4 433 175 880**	**4 433 175 880**

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 719 455	388 680
Grants		1 239 058 275	1 147 036 208
Interest income		63 643 971	49 039 343
		1 307 421 701	1 196 464 231
Payments			
Employee costs and Councillors remuneration		(367 865 214)	(359 628 225)
Suppliers		(316 177 264)	(324 021 862)
Finance costs		(58 657)	(115 536)
		(684 101 135)	(683 765 623)
Net cash flows from operating activities	43	**623 320 566**	**512 698 608**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(538 410 976)	(445 054 008)
Proceeds from sale of property, plant and equipment	10	1 795 862	208 106
Purchase of other intangible assets	11	(676 840)	-
Net cash flows from investing activities		**(537 291 954)**	**(444 845 902)**
Cash flows from financing activities			
Finance lease payments		1 004 173	(1 418 170)
Net increase in cash and cash equivalents		**87 032 785**	**66 434 536**
Cash and cash equivalents at the beginning of the year		493 700 447	427 265 913
Cash and cash equivalents at the end of the year	9	**580 733 232**	**493 700 449**

* See Note 48

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	Variances
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						Note 56
Service charges	92 676 000	(6 000 000)	**86 676 000**	78 861 143	**(7 814 857)**	(9)%
Other income	445 000	-	**445 000**	1 239 103	**794 103**	178%
Interest received	60 855 000	25 000 000	**85 855 000**	112 541 169	**26 686 169**	31%
Total revenue from exchange transactions	**153 976 000**	**19 000 000**	**172 976 000**	**192 641 415**	**19 665 615**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 220 168 000	18 628 000	**1 238 796 000**	1 239 058 275	**262 275**	-%
Public contributions and donations	-	-	**-**	1 912 089	**1 912 089**	100%
Total revenue from non-exchange transactions	**1 220 168 000**	**18 628 000**	**1 238 796 000**	**1 240 970 364**	**2 174 464**	
Total revenue	**1 374 144 000**	**37 628 000**	**1 411 772 000**	**1 433 611 779**	**21 840 079**	
Expenditure						
Personnel	(417 839 000)	8 049 000	**(409 790 000)**	(366 472 252)	**43 317 748**	(11)%
Remuneration of councillors	(18 965 000)	-	**(18 965 000)**	(17 236 269)	**1 728 731**	(9)%
Depreciation and amortisation	(92 855 000)	9 760 000	**(83 095 000)**	(80 411 388)	**2 683 612**	(3)%
Impairment loss	(22 050 000)	4 000 000	**(18 050 000)**	(17 208 294)	**841 706**	(5)%
Finance costs	(470 000)	170 000	**(300 000)**	(58 657)	**241 343**	(80)%
Lease rentals	(9 803 000)	880 000	**(8 923 000)**	(7 526 086)	**1 396 914**	(16)%
Debt Impairment	(68 525 000)	(4 000 000)	**(72 525 000)**	(102 585 318)	**(30 060 318)**	41%
Bad debts written off	-	-	**-**	(17 500)	**(17 500)**	DIV/0
Commission expense	(44 151 000)	6 000 000	**(38 151 000)**	(37 679 752)	**471 248**	(1)%
Inventories consumed	(98 910 000)	(6 728 000)	**(105 638 000)**	(102 502 236)	**3 135 764**	(3)%
Contracted Services	(126 614 000)	(23 833 000)	**(150 447 000)**	(107 435 474)	**43 011 526**	(29)%
Loss on disposal of assets	(12 967 000)	(310 000)	**(13 277 000)**	(9 657 485)	**3 619 515**	(27)%
General Expenses	(150 402 000)	5 163 000	**(145 239 000)**	(142 537 693)	**2 701 307**	(2)%
Total expenditure	**(1 063 551 000)**	**(849 000)**	**(1 064 400 000)**	**(991 328 404)**	**73 071 596**	
Operating surplus	**310 593 000**	**36 779 000**	**347 372 000**	**442 283 375**	**94 911 375**	
Actuarial gains/losses	(18 112 000)	-	**(18 112 000)**	5 421 206	**23 533 206**	(130)%
Inventories losses	-	(31 950 000)	**(31 950 000)**	(26 650 640)	**5 299 360**	(17)%
	(18 112 000)	**(31 950 000)**	**(50 062 000)**	**(21 229 434)**	**28 832 519**	
Surplus for the year	**292 481 000**	**4 829 000**	**297 310 000**	**421 053 941**	**123 743 941**	

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	Variances
Statement of Financial Position						
Assets						Note 56
Current Assets						
Inventories	3 437 000	(803 000)	**2 634 000**	11 872 739	**9 238 739**	351%
Receivables from exchange transactions	14 200 000	-	**14 200 000**	14 865 873	**665 873**	5%
Receivables from non-exchange transactions	3 900 000	-	**3 900 000**	3 597 678	**(302 322)**	(8)%
VAT receivable	34 202 000	(1 851 000)	**32 351 000**	34 602 369	**2 251 369**	7%
Prepayments	5 100 000	-	**5 100 000**	4 966 269	**(133 731)**	(3)%
Consumer debtors	91 084 000	(23 864 000)	**67 220 000**	61 249 739	**(5 970 261)**	(9)%
Cash and cash equivalents	371 239 000	157 401 000	**528 640 000**	580 733 232	**52 093 232**	10%
	523 162 000	**130 883 000**	**654 045 000**	**711 887 899**	**57 843 242**	
Non-Current Assets						
Property, plant and equipment	4 065 191 000	140 143 000	**4 205 334 000**	4 227 196 901	**21 862 901**	1%
Intangible assets	8 329 000	(4 800 000)	**3 529 000**	2 141 961	**(1 387 039)**	(39)%
Heritage assets	71 000	-	**71 000**	70 716	**(284)**	-%
	4 073 591 000	**135 343 000**	**4 208 934 000**	**4 229 409 578**	**20 475 578**	
Total Assets	**4 596 753 000**	**266 226 000**	**4 862 979 000**	**4 941 297 477**	**78 318 820**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	108 000	**108 000**	593 178	**485 178**	449%
Operating lease liability	-	-	**-**	123 340	**123 340**	100%
Payables from exchange transactions	193 214 000	93 398 000	**286 612 000**	346 108 761	**59 496 761**	21%
VAT payable	9 362 000	(9 362 000)	**-**	-	**-**	-%
Employee benefit obligation	38 252 000	15 444 000	**53 696 000**	42 554 124	**(11 141 876)**	(21)%
	240 828 000	**99 588 000**	**340 416 000**	**389 379 403**	**48 963 403**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	1 285 141	**1 285 141**	100%
Employee benefit obligation	79 102 000	34 489 000	**113 591 000**	117 457 053	**3 866 053**	3%
	79 102 000	**34 489 000**	**113 591 000**	**118 742 194**	**5 151 194**	
Total Liabilities	**319 930 000**	**134 077 000**	**454 007 000**	**508 121 597**	**54 114 597**	
Net Assets	**4 276 823 000**	**132 149 000**	**4 408 972 000**	**4 433 175 880**	**24 204 223**	
Accumulated surplus	4 276 823 000	132 149 000	**4 408 972 000**	4 433 175 880	**24 203 880**	

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	Variances
Cash Flow Statement						
Cash flows from operating activities						
Receipts						Note 56
Sale of goods and services	20 834 000	113 612 000	**134 446 000**	4 719 455	**(129 726 545)**	(96)%
Grants	1 220 168 000	18 628 000	**1 238 796 000**	1 239 058 275	**262 275**	-%
Interest income	44 855 000	16 000 000	**60 855 000**	63 643 971	**2 788 971**	5%
	1 285 857 000	**148 240 000**	**1 434 097 000**	**1 307 421 701**	**(126 675 299)**	
Payments						
Suppliers and employee costs	(866 957 000)	(15 222 000)	**(882 179 000)**	(684 042 478)	**198 136 522**	(22)%
Finance costs	(470 000)	170 000	**(300 000)**	(58 657)	**241 343**	(80)%
	(867 427 000)	**(15 052 000)**	**(882 479 000)**	**(684 101 135)**	**198 377 865**	
Net cash flows from operating activities	**418 430 000**	**133 188 000**	**551 618 000**	**623 320 566**	**71 702 566**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(419 653 000)	(96 176 000)	**(515 829 000)**	(538 410 976)	**(22 581 976)**	4%
Proceeds from sale of property, plant and equipment	-	-	**-**	1 795 862	**1 795 862**	100%
Purchase of other intangible assets	(700 000)	-	**(700 000)**	(676 840)	**23 160**	(3)%
Net cash flows from investing activities	**(420 353 000)**	**(96 176 000)**	**(516 529 000)**	**(537 291 954)**	**(20 762 954)**	
Cash flows from financing activities						
Finance lease payments	(874 000)	724 000	**(150 000)**	1 004 173	**1 154 173**	(769)%
Net increase/(decrease) in cash and cash equivalents	(2 797 000)	37 736 000	**34 939 000**	87 032 785	**52 093 785**	
Cash and cash equivalents at the beginning of the year	374 037 000	119 663 000	**493 700 000**	493 700 447	**447**	-%
Cash and cash equivalents at the end of the year	**371 240 000**	**157 399 000**	**528 639 000**	**580 733 232**	**52 094 232**	

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant accounting policies

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.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

The municipality does not retrospectively adjust the accounting of past items that were previously assessed as immaterial, unless an error occurred.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements 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:

- Useful lives and residual values of property, plant, and equipment.
- Present value of defined benefit obligation.
- Provision for doubtful debts.
- Impairment of assets.

1.5 Significant judgements and sources of estimation uncertainty (continued)

- Provision for long-term service award and medical aid benefits.
- Deferred revenue

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgements 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.

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

Trade 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.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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 17.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in note 58.

Impairment of statutory receivables

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

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

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

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity. Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

Identification of users and their information needs

- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds

- Application of materiality in preparing the financial statements:

  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing omissions, misstatements and errors

1.5 Significant judgements and sources of estimation uncertainty (continued)

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Machinery and equipment	Straight-line	8-20
Furniture and fixtures	Straight-line	8-20
Motor vehicles	Straight-line	7-20
Office equipment	Straight-line	1-10
IT equipment	Straight-line	8-23
Computer software	Straight-line	8-11
Community (Buildings)	Straight-line	10-55
Community (Security)	Straight-line	3-10
Copiers/communication equipment	Straight-line	3-6
Emergency equipment	Straight-line	5-8
Other equipment	Straight-line	3-6
Wastewater network	Straight-line	15-50
Water network	Straight-line	15-55
Water reservoir	Straight-line	30-55

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 42).

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

Construction work in progress is recognised at cost and transferred to asset upon completion. Construction work in progress is not depreciable until after it is transferred to completed assets.

1.6 Property, plant and equipment (continued)

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Work in progress

Construction work in progress is recognised at cost and transferred to asset upon completion. Construction work in progress is not depreciable until after it is transferred to completed assets.

1.7 Intangible assets

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

1.7 Intangible assets (continued)

Initial recognition

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	8-11

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

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

1.7 Intangible assets (continued)

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Website cost

The municipality has a website designed for internal and external access. The municipality is at the operating stage which comprises maintaining and enhancing applications, infrastructure, graphical design and the content of the file. The municipality incurs internally generated costs on the operation of the website and the costs are therefore expensed.

1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 42).

Recognition

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

Significant Accounting Policies

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

1.9 Financial instruments (continued)

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 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.

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:
- combined instruments that are designated at fair value.

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Deferred income	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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.

1.9 Financial instruments (continued)

Fair value measurement considerations

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

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

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 uncollectability of financial assets

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

Financial assets measured at amortised cost

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

1.9 Financial instruments (continued)

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 recognises 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 as a surplus or deficit in the statement of financial performance.

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

1.9 Financial instruments (continued)

Financial liabilities

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

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 as a surplus or deficit in the statement of financial performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

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

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

Trade and other receivables are initially designated at fair value. Short-term receivables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Trade payables are categorised as financial liabilities held at fair value. Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cashflow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Prepaid expenses and advances are recognised in the statement of financial position when the payments are made and recognised in the statement of financial performance as and when the goods/services are received or the funds are utilised.

1.10 Statutory receivables

Identification

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

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

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

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

Significant Accounting Policies

1.10 Statutory receivables (continued)

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

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

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

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

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

1.10 Statutory receivables (continued)

Derecognition

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

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

1.11 Leases

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

Finance leases - lessee

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

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

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

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Significant Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 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

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.

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.

Initial recognition

Inventories assets in the form of materials or supplies to be consumed or distributed in the rendering of service. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date.

Consumable inventory is valued using the weighted average cost whilst water inventory is valued using the weighted average cost method.

1.12 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores and raw materials, are valued at the weighted average cost, unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in weighted average cost or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 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.

1.14 Employee benefits (continued)

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 multi-employer 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.

Re-measurements 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.

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.

1.14 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.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

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

a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial 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: Mortality

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

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.

1.14 Employee benefits (continued)

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

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.

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).

1.14 Employee benefits (continued)

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.

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).

Presentation

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

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).

Significant Accounting Policies

1.14 Employee benefits (continued)

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.

Long service bonus

Employees qualify for additional leave for various period of uninterrupted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

Accumulated leave days

Accumulated leave benefit accrues to employees unto maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation.

1.15 Provisions and contingencies

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

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

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

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.

1.15 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

1.16 Commitments

A commitment arises when a decision is made to incur a liability e.g. purchase order, delivery schedules or contract for construction of infrastructure assets. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The commitments are not recognised as a liability in the statement of financial position but are disclosed in the notes to the financial statements. Commitments are disclosed including value added tax.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

Deferred income

Deferred revenue is recognized as earned revenue on the statement of financial performance when the service (water) is delivered to the consumer.

A liability is recorded on the statement of financial position until the service (water) is used.

Interest

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

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

1.18 Revenue from non-exchange transactions

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

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

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

1.18 Revenue from non-exchange transactions (continued)

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.

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.19 Investment income

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

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Significant Accounting Policies

1.20 Accounting by principals and agents (continued)

Recognition

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

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

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

1.21 Living and non-living resources

Living resources are those resources that undergo biological transformation. Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

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

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The identified fruitless and wasteful expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

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

Significant Accounting Policies

1.25 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). .

1.26 Fines, Penalties and Forfeits

The surplus arising from the fines, penalties and forfeits is accounted for as revenue in the statement of financial performance.

1.27 Segment information

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

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

Measurement

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

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

1.28 Distribution loss

Distribution losses are losses that result from differences between purchases and consumption's both billed and estimated.

Distribution losses is calculated as a percentage between water purchases and usage by consumer. The percentage is then used to calculate the Rand value of the loss.

Distribution loss is accounted for as an expense in the statement of financial performance.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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.

Significant Accounting Policies

1.29 Budget information (continued)

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

Material variances are variance of more than 10% and explained in note 56).

Comparative information is not required.

1.30 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.

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.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Significant Accounting Policies

1.32 Commission expense

Commission expense is accounted for on an accrual basis.

1.33 Change in accounting policy, accounting estimates and prior period errors

Change in accounting estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

Change in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied either retrospectively or prospectively if transitional provisions exists.

Prior period errors

Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that;

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine the period-specific or cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

1.34 Value added tax

VAT is accounted for on an accrual basis and registered for on the cash basis. The current VAT percentage is 15%.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The adoption of iGRAP 21: The Effect of Past Decisions on Materiality has not had a material impact on the results of the municipality, except for disclosure in the notes to the financial statements.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The adoption of GRAP 25 (as revised): Employee Benefits has not had a material impact on the results of the municipality, except for disclosure in the notes to the financial statements.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The adoption of GRAP 2020: Improvements to the Standards of GRAP 2020 has not had a material impact on the results of the municipality, except for disclosure in the notes to the financial statements.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The adoption of GRAP 1 (amended): Presentation of Financial Statements (Going Concern) has not had a material impact on the results of the municipality, except for disclosure in the notes to the financial statements.

2.2 Standards and Interpretations early adopted

The municipality did not early adopt any standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unable to reliably estimate the impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

3. Inventories

Consumable stores		1 117 504	694 812
Maintenance materials		10 392 761	6 379 127
Water for distribution		362 474	352 062
		11 872 739	**7 426 001**

Water for distribution

Opening balance		352 062	248 973
System input volume		90 240 565	78 628 078
Authorised consumption		(63 579 513)	(48 449 918)
Water losses	35	(26 650 640)	(30 075 071)
Closing balance		**362 474**	**352 062**

No inventory have been held as collateral.

4. Receivables from exchange transactions

Trade debtors	13 126 758	19 180 450
Other debtors	1 739 115	-
	14 865 873	**19 180 450**

Trade and other receivables pledged as security

No receivables from exchange transactions have been pledged as security.

Receivables from exchange transactions above are as follows:

Lepelle Nkumpi Local Municipality	11 939 474	18 593 830
Blouberg Local Municipality	665 946	586 620
Molemole Local Municipality	521 338	-
Other debtors	1 739 115	-
	14 865 873	**19 180 450**

Other debtors of R 1 739 115 relating to assets which are to be auctioned in 2024/25.

5. Receivables from non-exchange transactions

Other receivables from non-exchange transactions	3 597 678	5 026 026
Other receivables from non-exchange transactions (impairment)	-	(581 416)
	3 597 678	**4 444 610**

No receivables from non-exchange transactions were pledged as security.

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R - (2023: R 581 416) were impaired and provided for.

The amount of the provision was R - as of 30 June 2024 (2023: R (581 416)).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

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

Opening balance	581 416	1 288 458
Provision for impairment	118 917	-
Amounts written off as uncollectible	(700 333)	(707 042)
	-	**581 416**

6. VAT receivable

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

VAT control (statutory receivable)	13 336 780	31 901 530
VAT accrual	21 265 589	5 048 878
	34 602 369	**36 950 408**

Statutory receivables

Transaction(s) arising from statute

VAT receivable and payable are exchange transactions and disclosed as statutory arrangements.

Determination of transaction amount

The amount was determined by using the VAT 201 reconciliation.

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

SARS refunds the municipality frequently and from that the VAT receivable amount is not impaired.

7. Prepayments

Prepaid expenses	4 966 269	4 477 826

2024
Advance payments made to SALGA for 2024/2025 for membership fees.
Rental payments to East and West Investment and Karibana Traders.

2023
Advance payments made to SALGA for 2023/2024 for membership fees.
Rental payments to East and West Investment and Karibana Traders.

Prepaid expenses include the following:

Opening balance	4 477 826	4 159 929
Amount expensed	(4 477 826)	(4 159 929)
East and west Investment (Rental of office space)	491 423	452 828
SALGA	4 398 616	3 955 698
Karibana Traders (Rental of storage space)	76 230	69 300
	4 966 269	**4 477 826**

8. Consumer debtors

Gross balances

Water	859 005 480	745 806 555

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
8. Consumer debtors (continued)		
Less: Allowance for impairment		
Water	(797 755 741)	(683 521 923)
Net balance		
Water	61 249 739	62 284 632
Water		
Current (0 -30 days)	9 896 644	9 906 835
31 - 60 days	6 630 104	7 253 488
61 - 90 days	4 160 734	4 187 632
91 - 120 days	2 648 025	2 506 333
121 - 365 days	37 914 232	38 430 344
	61 249 739	**62 284 632**

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	11 035 650	11 040 082
31 - 60 days	10 978 404	11 682 247
61 - 90 days	11 700 089	11 372 249
91 - 120 days	11 266 248	10 533 879
121 - 365 days	773 647 389	664 182 314
	818 627 780	708 810 771
Less: Allowance for impairment	(768 446 687)	(657 860 074)
	50 181 093	**50 950 697**
Commercial		
Current (0 -30 days)	746 010	813 140
31 - 60 days	696 054	746 759
61 - 90 days	610 463	640 017
91 - 120 days	599 357	601 899
121 - 365 days	33 340 206	30 147 306
	35 992 090	32 949 121
Less: Allowance for impairment	(29 309 055)	(25 661 849)
	6 683 035	**7 287 272**
National and provincial government		
Current (0 -30 days)	739 200	688 485
31 - 60 days	61 450	265 428
61 - 90 days	104 692	213 838
91 - 120 days	103 262	116 174
121 - 365 days	3 377 007	2 762 738
	4 385 611	**4 046 663**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Consumer debtors (continued)

Total		
Current (0 -30 days)	12 520 860	12 541 707
31 - 60 days	11 735 908	12 694 434
61 - 90 days	12 415 244	12 226 104
91 - 120 days	11 968 867	11 251 952
121 - 365 days	810 364 602	697 092 358
	859 005 481	745 806 555
Less: Allowance for impairment	(797 755 742)	(683 521 923)
	61 249 739	**62 284 632**

Less: Allowance for impairment		
Current (0 -30 days)	(2 624 218)	(2 634 873)
31 - 60 days	(5 105 804)	(5 440 945)
61 - 90 days	(8 254 510)	(8 038 472)
91 - 120 days	(9 320 842)	(8 745 620)
121 - 365 days	(772 450 367)	(658 662 013)
	(797 755 741)	**(683 521 923)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(683 521 923)	(559 506 880)
Contributions to allowance	(102 585 318)	(110 108 127)
Debt impairment written off against allowance	3 602 543	3 734 862
VAT on allowance	(15 251 043)	(17 641 778)
	(797 755 741)	**(683 521 923)**

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Consumer debtors impaired

As of 30 June 2024, consumer debtors of R 859 005 480 (2023: R 745 806 555) were impaired and provided for. The amount of the provision was R (797 755 741) as of 30 June 2024 (2023: R (683 521 923)).

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30 914	30 914
Bank balances	6 895 991	17 169 496
Short-term deposits	573 806 327	476 500 037
	580 733 232	**493 700 447**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

First National Bank	Bank statement balances		Cash book balances	
	30 June 2024	**30 June 2023**	**30 June 2024**	**30 June 2023**
Current Account: 620-055-56339	16 953 276	17 169 496	6 895 991	17 169 49

Summary of investments held

	2024	2023
FNB: Call account	297 326	379 671
FNB: Fixed account	-	39 504 863
ABSA	159 698 849	104 092 082
Nedbank	90 441 680	255 755 864
Standard Bank	323 368 472	76 767 557
	573 806 327	**476 500 037**

Guarantees

	2024	2023
FNB: Call account	297 326	379 671

Included in FNB: Call account is a guarantee to Eskom amounting to R 294 600 plus interest of R 2 726 as at 30 June 2024.

10. 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	13 187 500	-	13 187 500	13 187 500	-	13 187 500
Machinery and equipment	30 879 588	(13 403 125)	17 476 463	26 371 092	(11 545 591)	14 825 501
Furniture and fixtures	16 336 852	(8 835 315)	7 501 537	16 140 808	(9 176 903)	6 963 905
Motor vehicles	86 174 486	(36 322 817)	49 851 669	80 367 383	(34 714 098)	45 653 285
IT equipment	19 039 732	(9 649 289)	9 390 443	18 712 961	(8 452 041)	10 260 920
Infrastructure	3 225 121 278	(835 722 057)	2 389 399 221	3 016 932 052	(775 211 510)	2 241 720 542
Community (Buildings)	166 526 355	(42 479 991)	124 046 364	157 722 476	(38 542 529)	119 179 947
Work-in-Progress	1 619 167 405	(4 686 336)	1 614 481 069	1 343 803 320	(1 232 136)	1 342 571 184
Leased assets	1 970 613	(107 978)	1 862 635	4 139 276	(3 322 761)	816 515
Total	**5 178 403 809**	**(951 206 908)**	**4 227 196 901**	**4 677 376 868**	**(882 197 569)**	**3 795 179 299**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Donations received	Derecognition	Depreciation	Impairment loss	Total
Land	13 187 500	-	-	-	-	-	-	-	-	13 187 500
Machinery and equipment	14 825 501	4 482 378	(73 672)	-	-	450 292	-	(2 208 036)	-	17 476 463
Furniture and fixtures	6 963 905	2 035 213	(383 249)	-	-	-	-	(1 114 332)	-	7 501 537
Motor vehicles	45 653 285	9 052 060	(1 514 228)	-	-	1 461 797	-	(4 801 245)	-	49 851 669
IT equipment	10 260 920	864 837	(241 482)	-	-	-	-	(1 493 832)	-	9 390 443
Infrastructure	2 241 720 542	67 399 774	(9 240 716)	168 121 223	-	-	-	(65 055 440)	(13 546 162)	2 389 399 221
Community (Buildings)	119 179 947	295 923	-	8 507 955	-	-	-	(3 729 529)	(207 932)	124 046 364
Work-in-Progress	1 342 571 184	452 310 178	-	-	(176 946 093)	-	-	-	(3 454 200)	1 614 481 069
Leased assets	816 515	1 970 613	-	-	-	-	-	(924 493)	-	1 862 635
	3 795 179 299	**538 410 976**	**(11 453 347)**	**176 629 178**	**(176 946 093)**	**1 912 089**	**-**	**(79 326 907)**	**(17 208 294)**	**4 227 196 901**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Donations received	Derecognition	Depreciation	Impairment loss	Total
Land	12 407 500	-	-	780 000	-	-	-	-	-	13 187 500
Machinery and equipment	12 908 750	3 743 749	(10 630)	-	-	-	-	(1 816 368)	-	14 825 501
Furniture and fixtures	7 314 541	764 239	(25 241)	-	-	-	-	(1 089 634)	-	6 963 905
Motor vehicles	48 965 104	2 459 260	(1 215 369)	-	-	-	-	(4 555 710)	-	45 653 285
IT equipment	11 138 019	660 987	(82 432)	-	-	-	-	(1 455 654)	-	10 260 920
Infrastructure	2 173 649 145	46 586 849	(780 688)	107 101 403	-	-	(8 518 982)	(61 797 778)	(14 519 407)	2 241 720 542
Community (Buildings)	57 665 998	740 092	-	63 765 148	-	-	-	(2 828 993)	(162 298)	119 179 947
Work-in-Progress	1 129 158 019	399 070 556	-	-	(170 866 552)	-	(14 790 839)	-	-	1 342 571 184
Leased assets	2 196 274	-	-	-	-	-	-	(1 379 759)	-	816 515
	3 455 403 350	**454 025 732**	**(2 114 360)**	**171 646 551**	**(170 866 552)**	**-**	**(23 309 821)**	**(74 923 896)**	**(14 681 705)**	**3 795 179 299**

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

Leased assets	1 862 635	816 515

Property, plant and equipment taking longer to complete than expected

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	280 354 637	382 345 133
Community	-	2 026 521
	280 354 637	**384 371 654**

The district relies mainly on groundwater for potable water supply. The district has been championing forward planning for infrastructure projects and to achieve this, projects planning activities/milestones takes time before a project can be considered feasible for implementation due to the magnitude of the regional water schemes, and to ensure sustainability and efficiency of water resource to meet current and future water demand of the area.

Ground water development and exploration of well fields/aquifers place a critical role during planning of water supply projects.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Mapatjakeng Water Supply at planning stage, the source development were completed, technical report were developed and designs are to commence.	-	1 745 211
Mapatjakeng & Sekhung ,Vergelegen, Springfield and 5 additional projects (Madoana, Overdyke, Zebediela South(Molapo, Magatle) Water supply and Mathabatha/Tongwane BWS Scheiding • Projects are being implemented according to working packages that are aligned to the availability of the MIG funding as per the budget. • The implementation approach is based on avoiding over committing the MIG allocation and eventually having projects stagnant during construction phases. • The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready. • The planning is completed and the project is implementation ready. Letters have been written to sector departments requesting for additional funding in order for the project to go into implementation phase.	36 824 133	-
Sekhung, Vergelen and Springfield WS • Source development completed and development of technical report to commence.	-	876 311

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

	2024	2023
Blouberg Satellite • Designs completed In 2023/2024, the project was removed from non-movement project since it has incurred expenditure.	-	2 026 520
Kwaring Water Supply • Projects are being implemented according to working packages that are aligned to the availability of the MIG funding as per the budget. • The implementation approach is based on avoiding over committing the MIG allocation and eventually having projects stagnant during construction phases. • The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready. • The planning is completed and the project is implementation ready. Letters have been written to sector departments requesting for additional funding in order for the project to go into implementation phase.	4 940 433	-
Madoana and Kwaring Water Supply	-	7 676 196
Lebowakgomo RWS Zone A-P (Industrial, MEC Residence) • Technical report stage.	4 259 350	4 259 350
Alldays Oxidation Ponds • Sanitation project assessment and feasibility study report completed. Acquisition for purchasing of land being investigated.	701 442	701 442
Senwabarwana Oxidation Ponds • Sanitation project assessment, feasibility study report and designs completed. EIA in progress.	6 318 127	6 318 127
Flora, Rammutla B, WSIG Bognafarm, Kgatla and Kobe • 5 Project for WSIG at planning stage in year 2023. • Borgnafarm and Ga-Kgatla was removed from the non movements projects since it has expenditure incurred in 2023/2024.	4 406 467	7 183 238
	57 449 952	**30 786 395**

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

	2024	2023
Construction stage:		
Mankgodi A & B, Pax Village, Pax and Brana Package plant • Projects Brana Package Plant, Pax Package Plant and Avon are still awaiting for electrification by Eskom. • Groethoek Ntamaties, Ga-Mankgodi & Pax have been transferred out from work in progress as they are operational.	34 061 104	26 843 380

Figures in Rand	2024	2023
10. Property, plant and equipment (continued)		
Nyakelane WS	-	27 053 598
• Nyakelane WS) was vandalised, impaired and refurbished. The project has been transferred out from work in progress as it is operational.		
Groethoek RWS Ledwaba Matome Makotse	1 488 125	1 488 125
• Geohydrological report completed.		
Maribana WS, Groothoek RWS:Mogoto, Ga-Kibi(Royston) WS, Zebediela South (Khureng WS), Zebediela South (Malatane WS), Bosehla, Groothoek RWS: Rakgwatha and Groethoek RWS: Makgopong	-	58 948 992
• Project in design stage.		
Maribana WS, Ga-kibi(Royston), Zebediela (Khureng, Mehlareng, Malatane), Bosehla & Rakgwatha, Mphahlele RWS Maijane/Sefalaolo and Thalahane	107 119 970	-
• Projects are being implemented according to working packages that are aligned to the availability of the MIG funding as per the budget.		
• The implementation approach is based on avoiding over committing the MIG allocation and eventually having projects stagnant during construction phases.		
• The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready.		
• The planning is completed and the project is implementation ready. Letters have been written to sector departments requesting for additional funding in order for the project to go into implementation phase.		
Groothoek RWS Mogoto, Groethoek Regional Water Scheme: Makgopong and Mafefe RWS, Mahlatjane and Mankele	45 135 189	-
• Projects are being implemented according to working packages that are aligned to the availability of MIG funding per budget year. The implementation approach is based on avoiding over committing MIG allocation and having projects stagnant during construction phases.		
• The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready.		
Alldays BWS	5 748 472	5 748 472
• Technical report developed. Acquisition for purchasing of land being investigated.		

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

	2024	2023
Mphahlele RWS(Maijane & Sefalaolo), Thalahane WS, Sefene WS, and Mathabatha/Tongwane BWS • Mphahlele RWS Maijane & Sefalaolo, Thalahane and Mathabatha/Tongwane BWS was transferred to construction. • Groothoek RWS Motsereng and Stocks RWS Motantanyane are being implemented. The project have incurred expenditure in 2023/24. • Phasha: The project is at advertisement stage and construction to commence in 2024/25. The project has incurred expenditure in 2023/24.	-	200 731 496
Sefene • Project is being implemented according to working packages that are aligned to the availability of MIG allocation. The project is at advertisement stage and construction to commence in 2024/25.	29 351 825	-
Mafefe RWS Mahlatjane, Mankele • Project at planning phase.	-	32 771 194
	222 904 685	**353 585 257**

Vandalised projects

2019/20

Matseke Scheme
From the 5 boreholes 2 were repaired and a generator was bought. The scheme is operational (security was deployed on a full-time basis). we have 5 boreholes, we repaired 2 and we bought generator – its operational (we put security full time)

Dikgading Scheme
From the 5 boreholes 2 were repaired. The project is currently not operational. The water tank is too big it needs all 5 boreholes to be pumped from on the same time. The municipality is waiting for Eskom to replace their vandalised power line and transformers. The municipality can not have 5 mobile generators to pump the boreholes simultaneously. Once Eskom replace the power line and transformers the municipality will use its own funding to repair the remaining boreholes.

Vandalised items on both projects were impaired.

2023/24

Mphahlele BWS (Bolatjane scheme). The scheme is currently not operational. The municipality is in the process of finalising the guard houses, risk will deploy security. There after the refurbishment process will commence, pending the available budget.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	1 340 099 405	2 471 779	1 342 571 184
Additions/capital expenditure	450 022 464	2 287 713	452 310 177
Impairment	(3 454 200)	-	(3 454 200)
Transferred to completed items	(176 629 176)	(316 916)	(176 946 092)
	1 610 038 493	**4 442 576**	**1 614 481 069**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	1 078 212 718	50 945 301	1 129 158 019
Additions/capital expenditure	388 425 027	10 645 529	399 070 556
Derocognitions	(14 790 840)	-	(14 790 840)
Transferred to completed items	(111 747 500)	(59 119 051)	(170 866 551)
	1 340 099 405	**2 471 779**	**1 342 571 184**

Expenditure incurred to repair and maintain property, plant and equipment

	2024	2023
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	25 546 194	29 241 408

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

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 040 350	(3 898 389)	2 141 961	7 227 697	(4 678 095)	2 549 602

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 549 602	676 840	(1 084 481)	2 141 961

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	3 510 988	-	(961 386)	2 549 602

Pledged as security

No intangible assets were pledged as security.

Figures in Rand	2024	2023

12. Non-living resources

Entity as custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows:

The municipality is responsible for the provision of water in terms of section 84(1)(b) of Municipal Structures Act 117 of 1998. The municipality provide water services through water bought from Lepelle Northern Water as well as water from own drilled boreholes.

Nature and types of non-living resources for which the entity is responsible

Water not yet extracted from the boreholes.

Liabilities and/or contingent liabilities that arise from the non-living resources

No liabilities and/or contingent liabilities that arise from the non-living resources.

13. Heritage assets

	2024			2023		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Jewellery	70 716	-	70 716	70 716	-	70 716

Reconciliation of heritage assets 2024

	Opening balance	Impairment losses	Total
Jewellery	70 716	-	70 716

Reconciliation of heritage assets 2023

	Opening balance	Impairment losses	Total
Jewellery	70 716	-	70 716

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

- The mayoral chain was procured in 2022 and is still in a excellent condition.

Heritage assets borrowed from other entities

No heritage assets were borrowed from other entities.

Heritage assets on loan to other entities

No heritage assets were loaned to other entities.

Figures in Rand	2024	2023

13. Heritage assets (continued)

Pledged as security

No heritage assets were pledged as security.

14. Finance lease obligation

	2024	2023
Minimum lease payments due		
- within one year	782 610	894 661
- in second to fifth year inclusive	1 434 785	-
	2 217 395	894 661
less: future finance charges	(339 076)	(20 515)
Present value of minimum lease payments	**1 878 319**	**874 146**
Present value of minimum lease payments due		
- within one year	593 178	874 146
- in second to fifth year inclusive	1 285 141	-
	1 878 319	**874 146**
Non-current liabilities	1 285 141	-
Current liabilities	593 178	874 146
	1 878 319	**874 146**

It is municipality policy to lease computer equipment(printers) under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 11.75% (2023: 7%).

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

	2024	2023
Contingent rents	642 640	675 618

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

15. Operating lease liability

	2024	2023
Current liabilities	123 340	258 400

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.

MTN Offices
The municipality is renting office space. The contract commenced on 01 September 2021 for a period of 3 years and will expire on 31 August 2024.

Mangkweng storage
The municipality is renting storage space. The contract commenced on 01 January 2023 for a period of 3 years and will expire on 31 December 2025.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Payables from exchange transactions

Trade payables	56 403 863	30 167 668
Payments received in advanced	1 013 413	192 021
Retention's	140 547 590	119 066 190
Good received note's	3 463 007	5 156 000
Molemole local municipality	-	27 037
13th Cheque bonus accrual	5 958 320	5 830 656
Salary accruals	5 799 211	5 512 410
Agency fees	132 923 357	97 882 917
	346 108 761	**263 834 899**

17. Employee benefit obligations

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

Carrying value		
Post retirement medical aid obligation	87 253 000	82 814 000
Long service award obligation	23 629 000	18 388 000
Leave day obligation	40 836 593	41 410 612
Performance bonus	8 292 584	6 562 000
	160 011 177	**149 174 612**

Current liabilities	42 554 124	41 633 546
Non-current liabilities	117 457 053	107 541 066
	160 011 177	**149 174 612**

Calculation of actuarial gains and losses

Post retirement medical aid obligation	10 187 244	14 482 000
Long service award obligation	(4 766 038)	2 820 318
	5 421 206	**17 302 318**

Key assumptions used

Assumptions used at the reporting date:

Valuation method

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

Valuation of assets

As at the valuation date, the employee benefit obligation of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets were considered as part of the valuation.

Valuation assumptions

In estimating the liability for employee benefit obligations a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next.

17. Employee benefit obligations (continued)

Financial variables

The two most important financial variables used in the valuation are the discount- and medical aid inflation rates.

Values for these variables	2024 Assumed valuation value	2023 Assumed valuation value
Discount Rate	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Differences between nominal and yield curves	Differences between nominal and yield curves
Medical Aid Contribution Inflation	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based**	Yield curve based**

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, a municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The nominal and real zero curves as at **30 June 2024** as supplied by the JSE was used to determine the discount rates and CPI assumptions.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Although the yield curve discount rates was used and the corresponding inflation rates, for indicative purposes the discount rate and CPI that corresponds to the implied duration of the liability was shown.

Average retirement age

The average retirement age for all active employees was assumed to be **63** years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Interest cost

The interest cost represents the accrual of interest on the accrued liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

17. Employee benefit obligations (continued)

Current cost

The current service cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	% Withdrawal rate males	% Withdrawal rate females
20 - 24	16	24
25 - 29	12	18
30 - 34	10	15
35 - 39	8	10
40 - 44	6	6
45 - 49	4	4
50 - 54	2	2
55 - 59	1	1
60 +	0	0

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipality will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of the results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:
- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the medical aid inflation.

Mortality rate

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

GRAP 25

GRAP 25 deals with the recognition of the cost of employee benefits, on an accruals basis, in municipal accounts.

Post retirement medical aid obligation

The effective date used for the purposes of this valuation is **30 June 2024** (herein after referred to as the "valuation date").

The previous valuation was conducted by ZAQ Consultants and Actuaries as at **30 June 2023**.

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipality will be dependent on future levels of assumed variables such as medical aid inflation. The impact of deviations between actual experience and the assumptions made can be found in the sensitivity analysis section.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Employee benefit obligations (continued)

Movement in the post retirement medical aid liability

Opening balance as at 1 July	82 814 000	82 937 000
Current service cost	4 866 000	5 329 000
Interest cost	10 932 000	10 073 000
Benefits paid	(1 171 756)	(1 043 000)
Actuarial (gains)/losses	(10 187 244)	(14 482 000)
	87 253 000	**82 814 000**

Current portion of liability	17 544 000	15 798 000
Non-current portion of liability	69 709 000	67 016 000
	87 253 000	**82 814 000**

Membership data

Number of members entitled to receive post-employment medical aid subsidies from the municipality:

Members	**2024 valuation**	**2023 valuation**
Current members (in-service)	445	427
Continuation members (pensioners)	19	16
	464	**443**

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

The accrued liability is split between the current employees and continuation members (pensioners).

Accrued contractual liability	**2024 valuation**	**2023 valuation**
Current members (in-service)	75 739 000	71 981 000
Continuation members (pensioners)	11 514 000	10 833 000
	87 253 000	**82 814 000**

Related costs

Interest and service costs	**2024 valuation to be used in the 2025 actuarial gains/loss calculation**	**2023 valuation to be used in the 2024 actuarial gains/loss calculation**
Current service cost	5 154 000	4 866 000
Interest cost	12 390 000	10 932 000
	17 544 000	**15 798 000**

17. Employee benefit obligations (continued)

Valuation method

Post-employment medical aid obligation

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). Mortality, retirements and withdrawals from service is set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It was assumed that 100% of all active members on medical aid will remain on medical aid until they retire. It was also assumed that all active members will remain on the same medical aid option at retirement.

Medical aid inflation

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

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Spouses and dependents

It was assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that **90%** of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

Medical aid scheme arrangements

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

Contribution rate structure

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

Subsidy arrangements

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:
- The municipality will subsidise a percentage of the medical scheme contributions of retired staff members and their dependants.
- Existing continuation members will continue to receive a 70% subsidy.
- The maximum subsidy cap as prescribed by SALGA was ignored as this was not currently being applied to some of the pensioners in the data.

Discount rate

The implied duration of the liability for this valuation is **18.47** years. It is however important to note that this is solely for indicative purposes as the entire yield curve was used to obtain the financial variables.

17. Employee benefit obligations (continued)

Financial Variable	Assumed value 30 June 2024
Discount rate	13.88%
CPI (Consumer Price Inflation)	8.24%
Normal Salary Increase Rate	9.24%
Net Effective Discount Rate	4.25%

Detailed results

On the basis of the information and the actuarial assumptions used, the value of the municipality’s liability for future subsidies of medical aid contributions has been calculated as at the valuation date and is summarised below.

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation. Changes to current membership (in-service membership) as at the valuation dates.

Active employees (in-service)	Male	Female	Total
Number of active employees	250	195	445
Subsidy weighted average age	48.3	45.9	47.3
Subsidy weighted average past service	14.4	14.5	14.4
Average monthly subsidy	R4 700	R4 490	R4 610

The table below provides a summary of details for continuation members:

Continuation members (pensioners)	Male	Female	Total
Number of continuation members	12	7	19
Subsidy weighted average age	67.3	74.5	70.2
Average monthly subsidy	R4 750	R5 380	R4 980

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation.

Changes to current membership (in-service membership) as at the **valuation dates**:

Active employees (in-service)	2024 valuation	2023 valuation	% Change
Number of active employees	445	428	4.0%
Proportion male	56%	57%	(1.8)%
Subsidy weighted average age	47.3	47.6	(0.6)%
Subsidy weighted average past service	14.41	14.17	1.7%
Average monthly subsidy	R4 610	R4 760	(3.2)%

17. Employee benefit obligations (continued)

Changes to continuation membership (pensioners' membership) as at the **valuation dates:**

Continuation members (pensioners)	**2024 valuation**	**2023 valuation**	**% change**
Number of continuation members	19	16	18.8%
Proportion male	63%	81%	(22.2)%
Subsidy weighted average age	70.15	69.92	0.3%
Average monthly subsidy	R4 980	R5 430	(8.3)%

Mortality rate

The effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20% is illustrated below.

	-20% Mortality rate	**Valuation assumption**	**+20% Mortality rate**
Total accrued liability	95 380 000	87 253 000	80 485 000
Current service cost	5 661 000	5 154 000	4 730 000
Interest cost	13 553 000	12 390 000	11 421 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in the medical aid inflation assumption was tested and is as follows:

	-1% Medical aid inflation	**Valuation assumption**	**+1% Medical aid inflation**
Total accrued liability	74 595 000	87 253 000	102 783 000
Current service cost	4 281 000	5 154 000	6 249 000
Interest cost	10 572 000	12 390 000	14 622 000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflow's. If the discount rate is higher the present value of the liability will be lower and vice versa. The effect of a 1% p.a. change in the discount rate assumption was tested and is as follows:

	-1% Discount rate	**Valuation assumption**	**+1% Discount rate**
Total accrued liability	102 237 000	87 253 000	75 155 000
Current service cost	6 210 000	5 154 000	4 319 000
Interest cost	14 543 000	12 390 000	10 652 000

17. Employee benefit obligations (continued)

Actuarial loss/(gain)

The figures for **30 June 2023** were taken from the previous valuation report. However, the main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – the nominal and real yield curves as at **30 June 2024** was used to calculate the discount rates used in the valuation. There were various changes in interest rates since the previous valuation. This resulted in an overall **decrease** in liability of around **R 1 897 000**.
- **Membership changes and other experience items** – Membership and other demographic changes were different to what was expected in the previous valuation. Despite an increase in membership, the average subsidy amongst in-service members decreased with 3,2%, and the average subsidy amongst pensioners decreased with 8,3%. It was expected that the average subsidy will increase with 8.6%, so the decrease is significantly larger than expected. There were also changes in the medical schemes amongst members, and the marriage statuses changed too. This, along with other smaller assumptions, resulted in a decrease in liability of around **R 8 290 245**.

GRAP 25 Compliance tables

Changes in the value of the obligation	2024 valuation as at 30 June 2024	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
PV of the obligation as at 30 June 2023	82 814 000	87 253 000	103 581 000	122 694 000
Current service cost	4 866 000	5 154 000	5 870 000	6 685 000
Interest cost	10 932 000	12 390 000	14 689 000	17 415 000
Benefits paid	(1 171 756)	(1 216 000)	(1 446 000)	(1 215 000)
Actuarial loss/(gain)	(10 187 244)	-	-	-
PV of the obligation as at 30 June 2024	**87 253 000**	**103 581 000**	**122 694 000**	**145 579 000**

Amounts recognised in the annual financial statements	2024 valuation as at 30 June 2024	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
Liability recognised in the Statement of Financial Position	87 253 000	103 581 000	122 694 000	145 579 000
Current service cost in the Statement of Financial Performance	4 866 000	5 154 000	5 870 000	6 685 000
Interest cost in the Statement of Financial Performance	10 932 000	12 390 000	14 689 000	17 415 000
Actuarial gain recognised	(10 187 244)	-	-	-

Maturity analysis

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Liability value	1 216 000	4 145 000	81 892 000	87 253 000

Figures in Rand	2024	2023

17. Employee benefit obligations (continued)

Long service award obligation

The municipality provides long-service awards to its permanent employees. The benefit of long-service awards is provided in the form of annual leave and a gift to a certain monetary value.

The effective date used for the purposes of this valuation is **30 June 2024** (herein after referred to as the “Valuation Date”).

The previous valuation was conducted by ZAQ Consultants and Actuaries as at **30 June 2023**.

ZAQ Consultants and Actuaries have performed an actuarial valuation of the liability in respect of the long service awards.The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the municipality.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Movement in the long-service award obligation		
Liability as at 1 July	18 388 000	20 657 000
Current service cost	1 243 000	1 439 000
Interest cost	2 291 000	2 253 000
Benefits paid	(3 059 038)	(3 140 682)
Actuarial loss/(gain)	4 766 038	(2 820 318)
	23 629 000	**18 388 000**
Current portion of liability	4 327 000	3 534 000
Non-current portion of liability	19 302 000	14 854 000
	23 629 000	**18 388 000**

Membership data

Gender	**Number of active employees**	**Salary weighted average age (years)**	**Weighted average past service (years)**
Male	288	48.72	15.28
Female	209	45.66	14.23
	497	**47.36**	**14.82**

Related cost

Interest and service costs	**2024 valuation to be used in the 2025 actuarial gains/loss calculation**	**2023 valuation to be used in the 2024 actuarial gains/loss calculation**
Current service cost	1 857 000	1 243 000
Interest cost	2 470 000	2 291 000
	4 327 000	**3 534 000**

17. Employee benefit obligations (continued)

Valuation inputs

Long service awards obligation

Long service 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 awarded leave days have been converted into a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy.

Completed years of service	Total long service benefit award as % of annual salary	Formula used to calculate total long service benefit award
5	2%	(5/250)* Annual Salary
10	6%	(10/250)* Annual Salary
15	10%	(25/250)* Annual Salary
20, 25, 30, 35, 40 and 45	14%	(35/250)* Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. There was allowance made for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on **1 July 2024** of 5.1%. The next salary increase was assumed to take place on **1 July 2025**.

Promotional salary increase rates

In addition to the normal salary inflation rate, the following promotional salary increases for each age band was considered:

Age band	Promotional increase %
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0

17. Employee benefit obligations (continued)

Discount rate

Although the yield curve was used for our discount rates and the corresponding inflation rates, the discount rate and CPI that corresponds to the implied duration of our liability is shown. The implied duration of the liability for this valuation is **6.13** years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain the financial variables.

Financial Variable	Assumed value 30 June 2024
Discount rate	10.67%
CPI (Consumer Price Inflation)	5.50%
Normal Salary Increase Rate	6.50%
Net Effective Discount Rate	3.91%

Detailed results

Eligible male employees	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	3	R 322 022	0.25	R 623
30 - 39	56	R 348 697	6.92	R 29 058
40 - 49	88	R 424 748	12.18	R 59 201
50 - 59	103	R 375 285	18.73	R 45 167
60 +	38	R 339 647	27.71	R 15 318
Total	**288**	**R 379 972**	**15.28**	**R 41 921**

Eligible female employees	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	5	R 224 845	0.65	R 904
30 - 39	39	R 413 604	8.00	R 40 550
40 - 49	100	R 450 786	13.12	R 68 093
50 - 59	54	R 386 976	19.81	R 55 220
60 +	11	R 313 743	28.51	R 16 260
Total	**209**	**R 414 743**	**14.23**	**R 55 292**

Figures in Rand	2024	2023

17. Employee benefit obligations (continued)

Total eligible employees	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	8	R 261 287	0.47	R 798
30 - 39	95	R 375 343	7.41	R 33 776
40 - 49	188	R 438 598	12.69	R 63 931
50 - 59	157	R 379 306	19.11	R 48 625
60 +	49	R 333 832	27.88	R 15 530
Total	**497**	**R 394 594**	**14.82**	**R 47 544**

The effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20% is illustrated below:

	-20% withdrawal rate	Valuation assumption	+20% withdrawal rate
Total accrued liability	24 479 000	23 629 000	22 833 000
Current service cost	1 949 000	1 857 000	1 772 000
Interest cost	2 566 000	2 470 000	2 381 000

The rate at which these contributions increase will thus have a direct effect on the liability of future retirees:

	-1% Normal salary inflation	Valuation assumption	+1% Normal salary inflation
Total accrued liability	22 347 000	23 629 000	25 022 000
Current service cost	1 743 000	1 857 000	1 982 000
Interest cost	2 327 000	2 470 000	2 625 000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflow's. If the discount rate is higher the present value of the liability will be lower and vice versa. The effect of a 1% p.a. change in the discount rate assumption was tested and the effect is as follows:

	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	24 978 000	23 629 000	22 405 000
Current service cost	1 978 000	1 857 000	1 748 000
Interest cost	23 750 000	2 470 000	2 553 000

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members. The effect of a one-year increase and decrease in the assumed average retirement age was tested and the effect is as follows:

17. Employee benefit obligations (continued)

	-1 year Average retirement age	Valuation assumption	+1 year Average retirement age
Total accrued liability	22 076 000	23 629 000	24 625 000
Current service cost	1 764 000	1 857 000	1 913 000
Interest cost	2 299 000	2 470 000	2 579 000

Actuarial loss/(gain)

The main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – The nominal and real zero curves as at **30 June 2024** was used as supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed significantly. This resulted in a **decrease** in the liability of around **R 339 000.**
- **Changes in leave days awarded** – In previous valuation, the number of leave days awarded for years of service was 10 leave days for 10 years of service and 15 leave days for 15+ years of service. This was changed to 5 leave days for 5 years of service, 15 days for 10 years of service, 25 days for 15 years of service and 35 days for 20+ years of service. The percentage of annual salary for the long service award benefit thus increased significantly. This resulted in an **increase** in the liability of around **R 3 857 000**.
- **Membership and other experience items** – Membership and other demographic changes were different to what was expected as at the previous valuation, which included an increase in the total membership. The net effect of this and other smaller changes resulted in an **increase** in liability of around **R 1 248 038**.

GRAP 25 Compliance tables

If assumed that the long service award obligation policy of the municipality remains unchanged over the next 36 months, a projection of the municipality's unfunded accrued obligation and future service cost can be seen as follows:

Changes in the value of the obligation	2024 valuation as at 30 June 2024	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
PV of the obligation as at 30 June 2023	18 388 000	23 629 000	24 665 000	25 264 948
Current service cost	1 243 000	1 857 000	1 987 015	2 133 853
Interest cost	2 291 000	2 470 000	2 527 933	2 708 174
Benefits paid	(3 059 038)	(3 291 000)	(3 915 000)	(1 882 000)
Actuarial loss/(gain)	4 766 038	-	-	-
PV of the obligation as at 30 June 2024	**23 629 000**	**24 665 000**	**25 264 948**	**28 224 975**

17. Employee benefit obligations (continued)

Amounts recognised in the annual financial statements	2024 valuation as at 30 June 2024	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
Liability recognised in the Statement of Financial Position	23 629 000	24 665 000	25 264 948	28 224 975
Current service cost in the Statement of Financial Performance	1 243 000	1 857 000	1 987 015	2 133 853
Interest cost in the Statement of Financial Performance	2 291 000	2 470 000	2 527 933	2 708 174
Actuarial loss/(gain) recognised	4 766 038	-	-	-

Maturity analysis

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Liability value	3 291 000	11 998 000	8 340 000	23 629 000

Leave day obligation

There is no standard actuarial formula that prescribes the way in which the accrued leave days balance should be broken down between short-term and long-term components. The municipality will follow an approach that is consistent with its past experience.

No discounting is applied to the calculation of the annual leave obligation. The obligation is based on the estimated **30 June 2024** salaries after allowing for an estimated salary increase of XXX%. The provision is split between that which is expected to be taken within 12 months of the valuation date (short-term portion) and that which will be taken after **30 June 2025** (long-term portion).

In order to calculate the short-term and long-term components of the accrued leave days provisional liability it was assumed that:
- Employees reaching the expected retirement age of 63 over the coming year would cash in their accrued leave days balances in full;
- Employees resigning from service would cash-in their accrued leave days balances in full; and
- Other employees that remain in service would take their full 24 leave days in the coming year and hence keep their accrued leave balance unchanged.

Movement in the leave day obligation	2024	2023
Obligation as at 1 July	41 410 612	45 787 474
Net accrued leave days over the years	3 418 679	(1 299 420)
Benefits paid	(3 992 698)	(3 077 442)
	40 836 593	**41 410 612**

	2024	2023
Current portion of liability	12 390 540	15 739 546
Non-current portion of liability	28 446 053	25 671 066
	40 836 593	**41 410 612**

Membership data

The number of members entitled to receive leave days from the municipality were:

17. Employee benefit obligations (continued)

Valuation inputs

It was assumed that all employees will take up leave to avoid the forfeiture of leave days. Employees that resign or retire over the coming year will have their leave balance cashed on resignation/retirement.

It was assumed 250 working days per year for the purpose of calculating the value of the accrued benefit. The current portion of the accrued leave also takes into account withdrawals from service over the next 12 months.

Performance bonus

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

Short-term employee benefits include items such as bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

Performance bonus is paid in line with the municipalities performance management system.

Reconciliation of all employee benefit obligations

30 June 2024	Opening balance	Additions	Utilised during the year	Total
Post retirement medical aid obligation	82 814 000	5 610 756	(1 171 756)	87 253 000
Long service award obligation	18 388 000	8 300 038	(3 059 038)	23 629 000
Leave day obligation	41 410 612	3 418 679	(3 992 698)	40 836 593
Performance bonus	6 562 000	8 275 000	(6 544 416)	8 292 584
Total	**149 174 612**	**25 604 473**	**(14 767 908)**	**160 011 177**

30 June 2023	Opening balance	Additions	Utilised during the year	Total
Post retirement medical aid obligation	82 937 000	920 000	(1 043 000)	82 814 000
Long service award obligation	20 657 000	871 682	(3 140 682)	18 388 000
Leave day obligation	45 787 474	(1 299 420)	(3 077 442)	41 410 612
Performance bonus	7 134 000	6 562 000	(7 134 000)	6 562 000
Total	**156 515 474**	**7 054 262**	**(14 395 124)**	**149 174 612**

	2024	2023
Current liabilities	42 554 124	41 633 546
Non-current liabilities	117 457 053	107 541 066
	160 011 177	**149 174 612**

Figures in Rand	2024	2023

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Additions during the year	1 239 058 275	1 147 309 086
Income recognition during the year	(1 239 058 275)	(1 147 309 086)
	-	-

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

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

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested until utilised.

19. Service charges

Sale of water (conventional)	62 808 394	72 035 783
Sale of water (prepaid)	3 480 353	-
Sewerage and sanitation charges	12 572 396	12 005 290
	78 861 143	**84 041 073**

20. Other income

Other income	1 239 103	388 680

Insurance refunds included in other income is amounting to R 924 782.

21. Investment revenue

Short-term investments	63 637 465	49 039 343
Interest charged on trade and other receivables	48 897 198	42 373 326
SARS	6 506	-
	112 541 169	**91 412 669**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 63 637 465 (2023: R 49 039 343).

22. Government grants & subsidies

Operating grants		
Equitable share	777 252 000	730 231 878
Finance Management Grant	1 000 000	1 000 000
LG Seta	668 275	592 208
Rural Roads Asset Management Grant	2 601 000	3 191 000
Expanded Public Works Programme Integrated Grant	3 118 000	3 747 000
Municipal Infrastructure Grant	4 459 801	20 380 726
Water Services Infrastructure Grant	8 696 000	7 274 913
	797 795 076	**766 417 725**

Figures in Rand	2024	2023

22. Government grants & subsidies (continued)

Capital grants		
Municipal Infrastructure Grant	304 934 199	223 166 274
Water Services Infrastructure Grant	136 329 000	157 725 087
	441 263 199	**380 891 361**
	1 239 058 275	**1 147 309 086**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	461 806 275	417 077 208
Unconditional grants received	777 252 000	730 231 878
	1 239 058 275	**1 147 309 086**

Equitable Share

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

LG Seta Grant

Current-year receipts	668 275	592 208
Conditions met - transferred to revenue	(668 275)	(592 208)
	-	-

Water Services Infrastructure Grant

Current-year receipts	145 025 000	165 000 000
Conditions met - transferred to revenue	(145 025 000)	(165 000 000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	309 394 000	243 547 000
Conditions met - transferred to revenue	(309 394 000)	(243 547 000)
	-	-

Financial Management Grant

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

Rural Roads Asset Management Grant

Balance unspent at beginning of year	-	272 877
Current-year receipts	2 601 000	3 191 000
Conditions met - transferred to revenue	(2 601 000)	(3 191 000)
Funds returned to National Treasury	-	(272 877)
	-	-

Figures in Rand	2024	2023

22. Government grants & subsidies (continued)

Expanded Public Works Programme Integrated Grant

Current-year receipts	3 118 000	3 747 000
Conditions met - transferred to revenue	(3 118 000)	(3 747 000)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Public contributions and donations

Public contributions and donations	1 912 089	847 992

Details of donations received		
Disaster equipment	-	67 992
Vehicles	1 461 797	780 000
Fire and rescue equipment	450 292	-
	1 912 089	**847 992**

24. Fines, Penalties and Forfeits

Retentions Forfeits	-	26 301 279

25. Revenue

Service charges	78 861 143	84 041 073
Other income	1 239 103	388 680
Interest received	112 541 169	91 412 669
Government grants & subsidies	1 239 058 275	1 147 309 086
Public contributions and donations	1 912 089	847 992
Fines, Penalties and Forfeits	-	26 301 279
	1 433 611 779	**1 350 300 779**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	78 861 143	84 041 073
Other income	1 239 103	388 680
Interest received	112 541 169	91 412 669
	192 641 415	**175 842 422**

The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	1 239 058 275	1 147 309 086
Public contributions and donations	1 912 089	847 992
Fines, Penalties and Forfeits	-	26 301 279
	1 240 970 364	**1 174 458 357**

Figures in Rand	2024	2023

26. Employee related costs

Basic salary	202 937 382	200 137 362
Performance bonus	8 275 000	6 562 000
Medical aid	17 515 045	16 793 329
UIF	1 109 742	1 129 316
Leave pay obligation	3 418 679	(1 118 745)
Overtime	29 766 472	27 706 904
Long-service award obligation	3 534 000	3 648 400
13th Cheque	15 619 958	15 286 879
Car allowance	21 083 061	20 781 161
Housing allowances	2 031 100	2 066 966
Bargaining council levies	70 337	64 370
Pension	38 504 793	37 991 953
Employee benefit obligations	15 798 000	15 268 739
	359 663 569	**346 318 634**

Remuneration of Municipal Manager

Annual remuneration	1 469 100	1 352 276
Contributions to UIF, Medical aid and Pension fund	222 037	206 910
Phone allowance	30 000	30 000
Car allowance	168 000	168 000
	1 889 137	**1 757 186**

Performance bonus of R 40 323 was paid from the performance bonus provision.

Remuneration of Chief Finance Officer

Annual remuneration	154 363	388 923
Performance bonus	-	32 449
Contributions to UIF, Medical aid and Pension fund	19 657	48 699
Phone allowance	3 161	9 700
Car allowance	41 693	127 928
	218 874	**607 699**

Remuneration of Development, Economic and Planning Management Services

Annual remuneration	420 492	707 276
Performance bonus	-	45 428
Contributions to UIF, Medical aid and Pension fund	101 580	66 778
Phone allowance	12 000	14 000
Car allowance	63 000	147 000
	597 072	**980 482**

Remuneration of Strategic Support Services

Annual remuneration	80 913	229 136
Performance bonus	-	45 428
Contributions to UIF, Medical aid and Pension fund	-	10 675
Phone allowance	-	2 000
Car allowance	-	15 000
	80 913	**302 239**

Figures in Rand	2024	2023

26. Employee related costs (continued)

Remuneration of Corporate and human resources (corporate services)

Annual remuneration	684 553	748 922
Contributions to UIF, Medical aid and Pension fund	162 715	184 387
Phone allowance	20 000	24 000
Car allowance	150 000	180 000
	1 017 268	**1 137 309**

Remuneration of Health, safety and social services (emergency management services)

Annual remuneration	1 004 263	729 460
Performance bonus	-	22 385
Contributions to UIF, Medical aid and Pension fund	240 198	188 800
Phone allowance	24 000	24 000
Car allowance	200 000	180 000
	1 468 461	**1 144 645**

Performance bonus of R 29 221 was paid from the performance bonus provision.

Remuneration of Technical Services

Annual remuneration	1 130 871	963 806
Contributions to UIF, Medical aid and Pension fund	142 087	125 800
Phone allowance	24 000	24 000
Car allowance	240 000	240 000
	1 536 958	**1 353 606**

Performance bonus of R 34 378 was paid from the performance bonus provision.

Total employee costs	**366 472 252**	**353 601 800**

Acting allowances paid

Municipal Manager	9 029	-
Chief Finance Officer	70 390	98 032
Development, Economic and Planning Management Services	33 380	43 232
Strategic Support Services	80 912	92 084
Corporate Services	38 277	14 835
	231 988	**248 183**

27. Remuneration of councillors

Executive Major	1 223 954	1 137 470
Chief Whip	846 003	856 804
Speaker	576 011	577 401
Section 79 Committee Chairperson	894 354	831 880
Mayoral Committee Members	5 113 219	4 747 953
Councillors	8 582 728	8 177 855
	17 236 269	**16 329 363**

Figures in Rand	2024	2023

27. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has two full-time bodyguards. The Executive Mayor has use of a Council owned vehicle for official duties.

The Speaker has the use of separate Council owned vehicles for official duties.

Additional information

The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Department of Cooperative Governance determination in accordance with this Act.

28. Depreciation and amortisation

	2024	2023
Property, plant and equipment	79 326 907	74 923 896
Intangible assets	1 084 481	961 386
	80 411 388	**75 885 282**

29. Impairment loss

	2024	2023
Property, plant and equipment	17 208 294	14 681 705

The main classes of assets affected by impairment losses are:

1. Community infrastructure
2. Water infrastructure
3. Sanitation infrastructure

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- There is evidence of obsolence and physical damage;
- There is a decoration of the economic performance of these assets;
- The 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 (such as through inadequate maintenance).

30. Finance costs

	2024	2023
Finance lease	58 657	115 536

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R58 657 (2023: R115 536).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Lease rentals on operating lease

	2024	2023
Premises		
Contractual amounts	5 864 725	5 733 429
Equipment		
Contractual amounts	1 661 361	582 825
	7 526 086	**6 316 254**

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.

MTN Offices
The municipality is renting office space. The contract commenced on 01 September 2021 for a period of 3 years and will expire on 31 August 2024.

Mangkweng storage
The municipality is renting storage space. The contract commenced on 01 January 2023 for a period of 3 years and will expire on 31 December 2025.

Operating leases - as lessee (expense)

	2024	2023
Minimum lease payments due		
- within one year	1 609 107	4 728 122
- in second to fifth year inclusive	503 118	2 112 225
	2 112 225	**6 840 347**

32. Debt impairment

	2024	2023
Debt impairment	102 585 318	110 108 127

33. Bad debts written-off

	2024	2023
Bad debts written-off	17 500	4 435

34. Commission expense

	2024	2023
Commission expense (locals)	37 283 397	37 924 320
Commission expense (pre-paid)	396 355	-
	37 679 752	**37 924 320**

Commission expenses paid to the local municipalities relating to the principle agent arrangement is disclosed in note 58.

35. Inventories consumed

	2024	2023
Water distribution	63 579 513	48 449 918
Maintenance materials	36 761 791	14 543 150
Consumables	2 160 932	2 090 421
	102 502 236	**65 083 489**

Figures in Rand	2024	2023

35. Inventories consumed (continued)

Water losses

Units purchased	8 240 069	8 249 460
Units sold	(1 889 535)	(2 550 267)
Free water	(3 905 521)	(2 048 633)
Total	**2 445 013**	**3 650 560**

This free water relates to the amount of a 'basic' level of water supply, that is, a level sufficient to promote healthy living, comes from international practices and norms that recommend 25 litres per person per day. This amounts to about 6 000 litres per household per month for a household of 8 people. The volume of 6 000 litres per month was therefore set as the target for a 'basic' level for all households in South Africa using 8 as an average number of people per household. The municipality will continue providing basic access to water and to extend meter installation where the infrastructure supports and permits.

Percentage loss

Loss	29.7 %	38.3 %

36. Contracted services

Outsourced Services		
Alien Vegetation Control	925 593	1 744 698
Business and Advisory	51 658	80 960
Catering Services	1 546	1 963
Call Centre	405 675	-
Cleaning Services	550 145	597 496
Clearing and Grass Cutting Services	225 870	-
Fire Services	39 800	24 690
Personnel and Labour	52 007	280 150
Professional Staff	3 565 024	3 457 421
Connection/Dis-connection	12 915 065	7 951 775
Security Services	25 062 370	21 639 457
	43 794 753	**35 778 610**
Consultants and Professional Services		
Business and Advisory	5 666 239	3 731 848
Laboratory Services	10 589 157	3 456 512
Legal Cost	22 756 306	12 776 526
	39 011 702	**19 964 886**
Contractors		
Catering Services	2 299 245	3 664 515
Employee Wellness	749 995	340 410
Fire Protection	221 627	142 992
Pest Control and Fumigation	16 438	46 315
Sewerage Services	21 241 714	36 297 999
Sports and Recreation	100 000	168 500
	24 629 019	**40 660 731**
	107 435 474	**96 404 227**

37. Loss on disposal of assets

Property, plant and equipment	9 657 485	1 906 254

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Fair value adjustments

Actuarial gains	5 421 206	17 302 318

39. Derecognition of assets

Derecognition of assets	-	14 338 097

40. General expenses

Advertising	1 333 691	1 941 380
Assessment rates & municipal charges	1 947 269	1 618 750
Bank charges	124 849	140 512
Insurance	2 943 462	2 576 380
Community development and training	128 100	161 074
Conferences and seminars	3 230 413	4 324 468
IT expenses	7 895 547	6 830 361
Fleet	-	3 615 590
Vehicle running costs	22 856 609	20 029 968
Postage and courier	547	954
Printing and stationery	1 518 096	1 170 412
Protective clothing	1 644 794	-
Subscriptions and membership fees	4 239 451	4 046 844
Telephone cost	1 109 633	1 621 900
Travel - local	16 750 489	20 274 862
Workmans compensation fund	1 637 346	1 556 860
Skills development levy	3 003 022	2 957 214
Free basic water	41 192 965	31 878 898
Bursaries	665 268	987 688
	112 221 551	**105 734 115**

41. Auditors' remuneration

Auditors remuneration	4 769 948	3 916 737

42. Repairs and maintenance

Repairs and maintenance non-infrastructure	8 962 819	6 707 860
Repairs and maintenance infrastructure	16 583 375	22 533 548
	25 546 194	**29 241 408**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Cash generated from operations

Surplus	421 053 941	405 936 877
Adjustments for:		
Depreciation and amortisation	80 411 388	75 885 282
Loss on disposal of assets	9 657 485	1 906 254
Derecognition of assets	-	14 338 097
Impairments	17 208 294	14 681 705
Debt impairment	102 585 318	110 108 127
Bad debts written off	17 500	4 435
Movement in operating lease liability	(135 060)	51 523
Commission expense	37 283 397	37 924 320
Inventories consumed	102 502 236	65 083 489
Inventories losses/write-downs	26 650 640	30 075 071
Movement on actuarial valuation	(5 421 206)	(17 302 318)
Performance bonus raised	8 275 000	6 562 000
Prepayments	4 477 826	4 159 929
Non-cash employee benefits	22 750 679	17 794 579
Fines, Penalties and Forfeits	-	(26 301 279)
Interest charged on trade and other receivables	(48 897 198)	(42 373 326)
Service charges	(75 380 790)	(84 041 073)
Public contributions and donations	(1 912 089)	(780 000)
Changes in working capital:		
Inventories	(133 599 613)	(99 147 526)
Trade and other receivables	4 966 269	4 409 834
Prepayments	(4 966 269)	(4 477 826)
Payables from exchange transactions	70 975 194	12 526 954
Employee benefit obligation	(15 182 376)	(14 053 643)
Unspent conditional grants and receipts	-	(272 877)
	623 320 566	**512 698 608**

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	192 050 408	420 382 766

This expenditure will be financed from:		
Conditional grants	187 033 319	411 169 697
Own funding	5 017 089	9 213 069
	192 050 408	**420 382 766**

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure	5 382 324	1 436 783
• Non-infrastructure	22 403 231	8 366 956
	27 785 555	**9 803 739**

This expenditure will be financed from:		
Conditional grants	5 382 324	1 436 783
Own funding	22 403 231	8 366 956
	27 785 555	**9 803 739**

Figures in Rand	2024	2023

44. Commitments (continued)

Total commitments

Total commitments		
Authorised capital expenditure	192 050 408	420 382 766
Authorised operational expenditure	27 785 555	9 803 739
	219 835 963	**430 186 505**

This committed expenditure relates to plant and equipment and will be financed by grants and funds internally generated.

45. Contingencies

The Municipality has a contingent liability of R 28 489 372 due to it being sued by service providers. See below the claim for damages:

In Touch	-	3 516 400
Royal Haskoning • Summons issued against the Municipality in terms of a contract for provision of project management services. CDM is awaiting the trial date.	11 472 232	11 472 232
Hulisani Vincent Sithagu	-	2 800 000
Dirk Jacobus Floris Venter • Mr. Venter issued summons in the High Court against Capricorn District Municipality, Polokwane Local Municipality and Department of Public Works, alleging that he suffered damages as a result of a motor vehicle accident that he was involved in, which was caused by negligent action or omission of the mentioned organs of state. • CDM is awaiting a trail date.	5 500 000	5 000 000
Mgababa Travel Agency • The municipality appointed the plaintiff for the provision of security services. It is alleged that the plaintiff rendered services and submitted an invoice as outlined in the Service Level Agreement which the municipality refused to pay. • DCM is awaiting a new trail date.	1 057 140	1 057 140
Marce Project • The Municipality brought an application to court seeking an order against Marce Projects and Best Said Properties respectively: i. That Marce Projects (Pty) Ltd hand over to CDM designs for TT Cholo Fire Station project ii. That Best Said 43 CC vacate and hand over to CDM the TT Cholo Fire Station Project Site	2 250 000	2 250 000
Leshilo Mmamodi • The plaintiff alleges that he fell into an unprotected hole dug by the employees or contractors of the municipality. Matter set down for exception to the 15 May 2025.	8 210 000	-
	28 489 372	**26 095 772**

45. Contingencies (continued)

Guarantee
Guarantee held by Eskom for the supply of electricity to Lebowakgomo sewage plant amounting to R294 600 on FNB account and interest as disclosed in the cash equivalents.

The Guarantor reserves the right to withdraw from the guarantee upon providing 3 (three) months notice in writing of its intention. The guarantee is neither negotiable or transferable and is limited to the payment of money only.

The following are contingent liabilities whose values are not yet ascertainable:

Matome Chidi
Chidi launched an application in May 2020 against CDM, seeking a relief of a declaratory order in that the municipality failed to provide the applicant with enough clean water at Dipatene Village is unconstitutional and violate his constitutional rights. And further that the municipality be interdicted to provide potable water and sanitation to the village.

46. Related parties

Relationships

Relationships	Refer to note 17 & 26
Employee benefit obligations	Refer to accounting officers' report note 26
Members of key management	Refer to note 26
Remuneration of councillors	Refer to note 27
Contributions to organised local government	Refer to note 55

Remuneration of management

47. Comparative figures

Certain comparative figures have been reclassified. Refer to note 48 for detail disclosure.

48. 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	Prior period correction	Restated
Opening retained earnings		(3 647 340 483)	41 155 426	(3 606 185 057)

Salary accruals from 2017 when the municipality move from SAP to PhoenixERP were cleared	(487 389)
Municipal Health Services income cleared	(189 039)
Polokwane debtor understated	(414 848)
Consumer debtors restated	(125 859 050)
	(126 950 326)

48. Prior-year adjustments (continued)

Output VAT reconciling items cleared	2 241
Input vat accruals not allowed from previous years cleared	251 447
Impairment restated	167 852 064
	168 105 752

2023

	Note	As previously reported	Prior period correction	Restated
Receivables from non-exchange transactions	4	4 029 762	414 848	4 444 610
VAT receivable	6	32 351 334	4 599 074	36 950 408
Consumer debtors	8	43 599 241	18 685 391	62 284 632
Work-in-progress	10	1 351 593 006	(9 021 822)	1 342 571 184
Payables from exchange transactions	16	(166 628 410)	(97 206 489)	(263 834 899)
		1 264 944 933	**(82 528 998)**	**1 182 415 935**

Statement of financial performance

2023

	Note	As previously reported	Prior period correction	Re-classification	Restated
Government grants & subsidies	22	1 148 157 078	-	(847 992)	1 147 309 086
Public contributions and donations	23	-	-	847 992	847 992
Debt impairment	32	(77 756 377)	(32 351 750)	-	(110 108 127)
Repairs and maintenance	39	(20 219 588)	(8 971 724)	(50 096)	(29 241 408)
General expenditure	40	(109 650 852)	-	3 916 737	(105 734 115)
Auditors' remuneration	41	-	-	(3 916 737)	(3 916 737)
Total		**940 530 261**	**(41 323 474)**	**(50 096)**	**899 156 691**

Cash flow statement

2023

	Note	As previously reported	Prior period correction	Restated
Cash flow from operating activities				
Suppliers		331 641 183	9 021 820	340 663 003

Prior period corrections

The following prior period corrections adjustments occurred:

Cash paid to suppliers

An expense of R 50 097 was capitalised against WIP.

48. Prior-year adjustments (continued)

Work-in-progress

A refund made by a supplier on a overcharged in relation to expenditure captured in work-in progress amounting to R 50 089.

Derecognition of assets done in 2024 related to 2023 and was adjusted to the prior year.

Segment reporting

Segment reporting was disclosed in note 59.

Consumer debtors

Consumer debtors were restated. Corresponding impact was on debt impairment.

Payables from exchange transactions

Agency fees were restated.

VAT Receivable

VAT was restated due to adjustment on debt impairment.

Repairs and maintenance

Repairs and maintenance were restated.

Reclassifications

The following reclassifications adjustment occurred:

Auditors' remuneration

Reclassification from General expenses to Auditors remuneration on the face of the Statement of Financial Performance amounting to R3 916 737.

Public contributions and donations

Reclassification from Government grants & subsidies to Public contributions and donations in on the face of the Statement of Financial Performance amounting to R 847 992.

49. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	-	14 865 873	14 865 873
Receivables from non-exchange transactions	-	3 597 678	-	3 597 678
Consumer debtors	-	61 249 739	-	61 249 739
Cash and cash equivalents	-	-	580 733 232	580 733 232
	-	**64 847 417**	**595 599 105**	**660 446 522**

49. Financial instruments disclosure (continued)

Financial liabilities	At fair value	At amortised cost	At cost	Total
Finance lease obligation	593 178	-	-	593 178
Operating lease liability	-	-	123 340	123 340
Payables from exchange transactions	-	-	346 108 761	346 108 761
	593 178	**-**	**346 232 101**	**346 825 279**

49. Financial instruments disclosure (continued)

2023

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	-	19 180 450	19 180 450
Receivables from non-exchange transactions	-	4 444 610	-	4 444 610
Consumer debtors	-	62 284 632	-	62 284 632
Cash and cash equivalents	-	-	493 700 447	493 700 447
	-	**66 729 242**	**512 880 897**	**579 610 139**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Finance lease obligation	874 146	-	-	874 146
Operating lease liability	-	-	258 400	258 400
Payables from exchange transactions	-	-	263 834 899	263 834 899
	874 146	**-**	**264 093 299**	**264 967 445**

50. 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

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.

Cash flow forecasts are prepared monthly and being monitored.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	593 178	-	-
Operating lease liability	123 340	-	-
Payables from exchange transactions	346 108 761	-	-

50. Risk management (continued)

At 30 June 2023

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	874 146	-	-
Operating lease liability	258 400	-	-
Payables from exchange transactions	263 834 899	-	-

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 of water related consumers.

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

Financial instrument	2024	2023
Receivables from exchange transactions	14 865 873	19 180 450
Receivables from non-exchange transactions	3 597 678	4 444 610
Consumer debtors	61 249 739	62 284 632
Cash and cash equivalents	580 733 232	493 700 447
Prepayments	4 966 269	4 477 826

Market risk

Interest rate risk

The municipality’s interest rate risk arises from short-term investments with major banks.

51. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 4 433 175 880 and that the municipality's total assets exceed its liabilities by R 4 433 175 880.

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.

52. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	4 784 572	1 402 579
Add: Fruitless and wasteful expenditure identified - current	63 654	4 074 817
Less: Amount recovered - prior period	-	(692 824)
Less: Amount written off - prior period	(4 074 817)	-
Closing balance	**773 409**	**4 784 572**

Fruitless and wasteful expenditure presented is inclusive of VAT.

Council resolved to write R 4 074 817 off. (SC 02/2024-2025/5.1)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Description	Actions taken		
Refurbishment of infrastructure assets	To be investigated by the Financial Misconduct Board	-	4 074 817
Duplicate motor vehicles registration certificates requested	Report to the Financial Misconduct Board	63 654	-
		63 654	**4 074 817**

53. Irregular expenditure

Opening balance as previously reported	192 415 975	73 276
Add: Irregular expenditure - current	214 514 246	192 957 239
Less: Amount written off - current	(208 957 784)	(541 264)
Less: Amount written off - prior period	(192 225 658)	(73 276)
Closing balance	**5 746 779**	**192 415 975**

Details of irregular expenditure

Description	Action taken		
Non-compliance with Supply Chain Regulations MFMA (112)(h)(ii)	Council resolved to write these amounts off. (SC 02/2024-2025/5.1)	208 957 784	192 957 239

54. Deviation from supply chain management regulations

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

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

55. Additional disclosure in terms of Municipal Finance Management Act

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

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

Figures in Rand	2024	2023

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

	2024	2023
Sole Provider		
Africa Travel Indaba	34 021	32 095
Caseware	131 736	119 760
Consolidated African Technologies	-	92 765
ESRI South Africa	-	89 539
LRMG: Orglus Software	13 089	11 874
Microsoft Ireland Operations Limited	-	3 022 702
National Fire Protection Association Fire	94 746	-
National Laboratory Association (NLA)	22 678	43 010
Phoenix ERP	-	7 345 716
Repair damages on E samplers	-	35 938
SABS Commercial (Ltd)	43 210	76 357
Sensory Solutions: Maintenance and support for Jaws software's	15 730	-
South African National Standards (SANS) codes of Practice	38 944	40 285
The Rescue Tool Guys Pty Ltd	12 811	-
Hamilton Hydraulic Service	45 483	-
Impractical to follow the normal SCM processes		
Capacity Building Program: Building Boys Better Camp	-	50 000
Pax College and Ratanang Special school	200 000	200 000
Training's for councillors and officials	1 579 591	-
2024 World Travel Market	73 385	69 147
	2 305 424	**11 229 188**

The following deviations were made on a rate basis:

- Radio, television broadcast and print media.
- Training's for councillors and officials.

Contributions to organised local government

	2024	2023
Opening balance	3 955 698	4 159 929
Current year subscription / fee	(3 955 698)	(4 159 929)
Amount paid - current year	4 398 616	3 955 698
	4 398 616	**3 955 698**

2024
The amount of R 4 398 616 was paid in advance as a result of discounts given for early payment.

2023
The amount of R 3 955 698 was paid in advance as a result of discounts given for early payment.

Audit fees

	2024	2023
Opening balance	-	11 706
Current year subscription / fee	5 485 440	4 504 248
Amount paid - current year	(5 485 440)	(4 504 248)
Amount paid - previous years	-	(11 706)
	-	**-**

Figures in Rand	2024	2023

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

PAYE and UIF

	2024	2023
Current year subscription / fee	66 657 900	65 353 303
Amount paid - current year	(66 657 900)	(65 353 303)
	-	-

Pension and Medical Aid Deductions

	2024	2023
Current year subscription / fee	57 251 466	56 515 733
Amount paid - current year	(57 251 466)	(56 515 733)
	-	-

VAT Receivable

	2024	2023
VAT control (statutory receivable)	13 336 780	31 901 530
VAT accrual	21 265 589	5 048 878
	34 602 369	**36 950 408**

VAT output payables and VAT input receivables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mollo MI	1 332	-	1 332

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mollo MI	381	-	381

Investments as at the end of the financial year

The entity had the following investments as at the end of the financial year.

Summary of all investments	2024	2023
FNB: Call account	297 326	379 671
FNB: Fixed account	-	39 504 863
ABSA	159 698 849	104 092 082
Nedbank	90 441 680	255 755 864
Standard Bank	323 368 472	76 767 557
	573 806 327	**476 500 037**

56. Budget differences

Material differences between budget and actual amounts

The comparison of the Municipality's actual financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts. The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2023 to 30 June 2024. The budget and accounting basis are the same.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters and adjustment budgets that were approved on 27 February 2024 and 26 March 2024.

Variances of 10% or more are explained below:

Statement of Financial Performance

Income	Variance	Reason for variance
Service charges	(9)%	
Other income	178%	Insurance refunds received
Interest received	31%	Higher interest rates
Public contributions and donations	100%	No budgeted for

Expenditure	Variance	Reason for variance
Personnel	(11)%	Vacancies not filled.
Remuneration of councillors	(9)%	n/a
Depreciation and amortisation	(3)%	n/a
Impairment loss	(5)%	n/a
Finance costs	(80)%	Finance lease ended.
Lease rentals	(16)%	Lease ended
Debt Impairment	41%	n/a
Commission expense	(1)%	n/a
Inventories consumed	(3)%	n/a
Contracted Services	(29)%	Savings on contractor services.
Loss on disposal of assets	(27)%	Loss on disposal of assets not budgeted for
General Expenses	(2)%	n/a
Actuarial gains/losses	(130)%	A loss was budgeted for
Inventories losses	(17)%	Installation of check meter and pre-paid meters

56. Budget differences (continued)

Statement of Financial Position

Assets	**Variance**	**Reason for variance**
Inventories	351%	Increase in water stock levels due to water loss reduction.
Receivables from exchange transactions	5%	n/a
Receivables from non-exchange transactions	(8)%	Debtors impaired.
VAT receivable	7%	SARS paid outstanding amounts.
Prepayments	(3)%	n/a
Consumer debtors	(9)%	n/a
Cash and cash equivalents	10%	Savings from expenditure.
Property, plant and equipment	1%	n/a
Intangible assets	(39)%	Reduction in intangible assets procured.

Current Liabilities	**Variance**	**Reason for variance**
Finance lease obligation	449%	New finance lease entered into.
Operating lease liability	100%	Operating lease liability not budgeted for.
Payables from exchange transactions	21%	Increase in creditors due to Agency fees.
Employee benefit obligation	(21)%	Current employee benefit obligation less than what was budgeted for.

Non-Current Liabilities	**Variance**	**Reason for variance**
Finance lease obligation	100%	New finance lease entered into.
Employee benefit obligation	3%	

Cash flow statement

Operating activities	**Variance**	**Reason for variance**
Sale of goods and services	(96)%	VAT refunds part of budgeted cashflow's.
Interest income	5%	n/a
Suppliers and employee costs	(22)%	Vacancies not filled.
Finance costs	(80)%	Finance lease expired.

Investing activities	**Variance**	**Reason for variance**
Purchase of property, plant and equipment	4%	n/a
Proceeds from sale of property, plant and equipment	100%	Proceeds not budgeted for.
Purchase of other intangible assets	(3)%	n/a

Financing activities	**Variance**	**Reason for variance**
Finance lease payments	(769)%	New finance lease entered into and old lease contract came to an end.

57. Events after the reporting date

Management is not aware of any events arising after the balance sheet date that provide evidence of conditions that existed at the existed at the Statement of Financial Position date.

Figures in Rand	2024	2023

58. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

Capricorn District Municipality is the Principal in arrangements with its three local municipalities who sell water on behalf of the district. The local municipalities earn 30% commission on revenue collected. The following information is disclosed as per GRAP 109.

Entity as principal

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

There are no resources under the custodianship of the agents, nor have they been recognised as such. As at year-end the amount received on behalf of the municipality which is still in the custody of the local municipalities have been disclosed as receivables from non-exchange in the Statement of Financial Performance.

Commission expense

Local municipalities

	2024	2023
Lepelle Nkumpi Local Municipality	34 924 139	35 240 491
Blouberg Local Municipality	1 650 156	1 973 972
Molemole Local Municipality	709 102	709 857
	37 283 397	**37 924 320**

	2024	2023
Pre-paid water agent		
Ontec	396 355	-

Pre-paid agent

The municipality is a party to a principal-agent arrangement with Ontec, wherein the municipality acts as the principal for the sale of pre-paid water.

No resources held at Ontec is owned by the municipality. All resources that are utilised by Ontec in support of the function is owned by Ontec. Consequently, there will be no cost implication in the event of termination of the arrangement.

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

The municipality will not incur any cost if the contractual arrangement is terminated in future.

59. Segment information

General information

Identification of segments

The municipality is organised and reports to Council on the basis of functional areas.

The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives.

The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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
Executive and Council
Unallocated
Community services
Planning and development
Infrastructure

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

		Executive and Council	Unallocated	Community services	Planning and development	Infrastructure	Total
Revenue							
Revenue from non-exchange transactions	62 592 000	333 015 073	99 075 292	34 022 000	712 266 000	-	1 240 970 365
Revenue from exchange transactions	-	129 003 950	-	-	-	-	129 003 950
Interest received from investments	-	63 637 465	-	-	-	-	63 637 465
Fair value adjustments	-	5 421 206	-	-	-	-	5 421 206
Total segment revenue	**62 592 000**	**531 077 694**	**99 075 292**	**34 022 000**	**712 266 000**	**-**	**1 439 032 986**
Total segment revenue							**1 439 032 986**
Expenditure							
Segment expenses	50 159 032	374 103 619	83 692 958	29 160 200	244 499 385	-	781 615 194
Depreciation and amortisation	-	15 355 949	-	-	65 055 439	-	80 411 388
Loss on disposal of assets	-	416 768	-	-	9 240 717	-	9 657 485
Impairment losses	-	102 585 318	-	-	17 000 362	-	119 585 680
Interest expense	-	58 657	-	-	-	-	58 657
Water loss	-	-	-	-	26 650 640	-	26 650 640
Total segment expenditure	**50 159 032**	**492 520 311**	**83 692 958**	**29 160 200**	**362 446 543**	**-**	**1 017 979 044**
Total segmental surplus	**12 432 968**	**38 557 383**	**15 382 334**	**4 861 800**	**349 819 457**	**-**	**421 053 942**
Assets							
Segment assets	-	813 370 823	-	-	-	4 127 926 654	4 941 297 477
Total assets as per Statement of financial Position							**4 941 297 477**

59. Segment information (continued)

	Executive and Council	Unallocated	Community services	Planning and development	Infrastructure	Segment 6	Total
Liabilities							
Segment liabilities	-	508 121 597	-	-	-	-	508 121 597
Total liabilities as per Statement of financial Position							**508 121 597**

2023

	Executive and Council	Unallocated	Community services	Planning and development	Infrastructure	Total
Revenue						
Revenue from non-exchange transactions	58 513 116	351 041 349	92 282 504	24 908 258	647 713 130	1 174 458 357
Revenue from exchange transactions	-	126 803 079	-	-	-	126 803 079
Interest revenue	-	49 039 343	-	-	-	49 039 343
Fair value adjustment	-	17 302 318	-	-	-	17 302 318
Total segment revenue	**58 513 116**	**544 186 089**	**92 282 504**	**24 908 258**	**647 713 130**	**1 367 603 097**
Entity's revenue						**1 367 603 097**
Expenditure						
Segment expenses	52 168 062	315 749 351	80 437 987	34 626 590	237 284 141	720 266 131
Depreciation and amortisation	-	14 087 504	-	-	61 797 777	75 885 281
Loss on disposal of assets	-	1 125 566	-	-	780 687	1 906 253
Impairment losses	-	110 108 127	-	-	23 309 821	133 417 948
Interest expense	-	115 536	-	-	-	115 536
Water loss	-	-	-	-	30 075 071	30 075 071
Total segment expenditure	**52 168 062**	**441 186 084**	**80 437 987**	**34 626 590**	**353 247 497**	**961 666 220**
Total segmental surplus	**6 345 054**	**103 000 005**	**11 844 517**	**(9 718 332)**	**294 465 633**	**405 936 877**

59. Segment information (continued)

Assets						
Segment assets	-	722 792 318	-	-	3 703 471 673	4 426 263 991
Total assets as per Statement of financial Position						**4 426 263 991**
Liabilities						
Segment liabilities	-	414 142 057	-	-	-	414 142 057
Total liabilities as per Statement of financial Position						**414 142 057**

Measurement of segment surplus or deficit, assets and liabilities

Information about geographical areas

The municipality’s operations are in Limpopo Province.