John Taolo Gaetsewe District Municipality

Annual financial statements
for the year ended June 30, 2024

General Information

Legal form of entity	The entity is a category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act 117 of 1998)
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 108 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipality areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality. Demarcation Code - DC45 John Taolo Gaetsewe
Mayoral committee	
Executive Mayor	Mogatle-Thoane P.Q
Executive Councillors	Masilabele K.F.
	Matebese I.
	Kgopodithata O.H
	Kgosienewang P.M.
Councillors	Ngesi N.
	Moilwe T.C.
	Tswere K.N.
	Etshetsang O.A.
	Sebego B.I.
	Motsoare T.M
	Kaotsane G.G
	Chere G.M
	Mereyotlhe N.
	Valela M.E
	Setlhodi K.S
	Mathibe O.D
	Mosegedi T.G
	Filipo M.P
	Ohetswe P.J
	Paul K.R
	Eilerd A.I.
Grading of local authority	3
Speaker	Aiseng I.
Accounting Officer	Teise K.K
Chief Financial Officer	Moroane G.P Presiding CFO up to 31/07/2023
	Shupu L.L Acting CFO 01/08/2023 to 31/05/2024
	Motlhanke T.S Acting CFO 01/06/2024 to 30/06/2024
Business address	4 Federale Mynbou Street
	Kuruman
	8460
Postal address	P.O. Box 1480

General Information

	Kuruman 8460
Primary bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Koikanyang Incorporated

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

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 municipality 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 for the year to June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting officer is primarily responsible for the financial affairs of the municipality,

The annual financial statements have been prepared on the going concern basis and were approved by the Accounting Officer on 31 August 2024 and were signed on its behalf by:

Accounting Officer
K.K Teise

Audit Committee Report

We are pleased to present our draft report for the financial year ended 30 June as required in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury.

Audit, Performance and Risk committee (APRC) members and attendance

The Audit, Risk and Performance committee (APRC) has been appointed by the District Municipality John Taolo Gaetsewe. Service level agreements between the District and Gamagara, Ga-Segonyana and Joe Morolong Local Municipalities provide for a shared ARPC within the District.

The APRC is governed by formal terms of reference, which are regularly reviewed and approved by the council.
The APRC consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 5 meetings were held:

Name of member	Number of meetings
Snyders J. (Chairperson)	5
Nkoe K.	5
Mathibela B (Appointed 1 April 2024)	2

Audit committee responsibility

The APRC has complied with its responsibilities arising from section 166(2)(a) of the MFMA read with MFMA Circular 65, and reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The APRC has:

- Reviewed and discussed the final unaudited annual financial statements to be included in the annual report with the Accounting Officer for submission to AGSA on 31 August 2024. The draft unaudited annual financial statements was work in progress, however management committed to finalise and consider the review by internal audit, Provincial Treasury and the APRC. On this basis the APRC support the submission to AGSA.

- Reviewed the progress on the audit action plan.

The following will be reviewed in the APRC meeting of November 2024:

- the Auditor-General of South Africa's audit report, management report and management’s the response thereto, and organisation’s compliance with legal and regulatory provisions.

From the above the concurrence and acceptance of the Auditor-General of South Africa's report on the annual financial statements will be assessed.t

Internal audit

The APRC is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.The quality assurance improvement program and combined assurance will be implemented in the next financial year.

Auditor-General of South Africa

The APRC will meet with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the constitution (act no 108 of 1996) and operates principally 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

2. Going concern

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

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

3. Subsequent events

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

4. Municipal Manager's interest in contracts

The Municipal Manager did not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the Municipality occurred during the year.

7. Accounting officer

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

K.K Teise	South Africa

8. Bankers

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with Standard Bank of South Africa,Nedbank and ABSA during the year.

9. Auditors

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

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	696,932	29,219,005
Receivables from exchange transactions	4	5,156,474	7,667,131
Statutory receivables	5	1,076,802	1,035,924
Inventories	6	6,220,967	6,245,596
		13,151,175	**44,167,656**
Non-Current Assets			
Biological assets	7	2,081,632	4,817,749
Investment property	8	8,420,000	8,230,000
Property, plant and equipment	9	83,535,345	80,021,509
Intangible assets	10	319,743	881,743
Heritage assets	11	19,750	19,750
		94,376,470	**93,970,751**
Total Assets		**107,527,645**	**138,138,407**
Liabilities			
Current Liabilities			
Finance lease obligation	12	13,802	-
Payables from exchange transactions	13	14,459,697	36,779,933
Employee benefit obligation	14	817,000	1,100,000
Unspent conditional grants and receipts	15	1,166,405	1,226,462
Construction contracts	16	30,182	30,182
		16,487,086	**39,136,577**
Non-Current Liabilities			
Finance lease obligation	12	4,752	-
Employee benefit obligation	14	6,191,000	5,638,000
		6,195,752	**5,638,000**
Total Liabilities		**22,682,838**	**44,774,577**
Net Assets		**84,844,807**	**93,363,830**
Reserves			
Revaluation reserve	17	67,265,761	62,024,719
Accumulated surplus		17,579,046	31,339,111
Total Net Assets		**84,844,807**	**93,363,830**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	18	449,178	212,195
Other income	19	192,722	119,660
Administration and management fees	20	2,839,596	2,308,366
Interest income	21	2,742,573	5,038,457
Total revenue from exchange transactions		**6,224,069**	**7,678,678**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	118,998,531	113,692,735
Contract revenue	16	-	39,353,102
Donations received	23	4,727,949	2,123,729
Total revenue from non-exchange transactions		**123,726,480**	**155,169,566**
Total revenue		**129,950,549**	**162,848,244**
Expenditure			
Employee related costs	24	(87,240,890)	(80,312,588)
Remuneration of councillors	25	(6,626,785)	(6,223,884)
Depreciation and amortisation	26	(6,474,246)	(5,646,440)
Finance costs	27	(914,209)	(1,434,301)
Debt Impairment	28	(216,237)	(76,476)
Bad debts written off	29	(2,234,314)	(778,026)
Contract costs	16	-	(39,353,102)
Operational costs	30	(37,547,805)	(36,591,521)
Total expenditure		**(141,254,486)**	**(170,416,338)**
Operating deficit		**(11,303,937)**	**(7,568,094)**
Loss on disposal of assets and liabilities	31	(139,412)	(721,414)
Fair value adjustments	32	96,537	1,116,433
Actuarial gains/losses	14	(183,000)	448,000
(Loss) gain on biological assets and agricultural produce	33	(2,230,254)	1,264,499
Loss on non-current assets held for sale or disposal groups		-	(270,396)
		(2,456,129)	**1,837,122**
Deficit for the year		**(13,760,066)**	**(5,730,972)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Restated* Balance at July 1, 2022	**62,024,719**	**37,070,083**	**99,094,802**
Deficit for the year	-	(5,730,972)	(5,730,972)
Total changes	-	(5,730,972)	(5,730,972)
Balance at July 1, 2023	**62,024,719**	**31,339,112**	**93,363,831**
Changes in net assets			
Revaluation of property,plant and equipment	5,241,042	-	5,241,042
Net income recognised directly in net assets	5,241,042	-	5,241,042
Deficit for the year	-	(13,760,066)	(13,760,066)
Total changes	5,241,042	(13,760,066)	(8,519,024)
Balance at June 30, 2024	**67,265,761**	**17,579,046**	**84,844,807**
Note(s)	17		

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3,958,780	3,905,925
Grants		118,938,474	113,822,256
Interest income		2,742,573	5,038,457
		125,639,827	122,766,638
Payments			
Employee costs		(91,825,960)	(86,661,036)
Suppliers		(61,704,289)	(48,666,664)
Finance costs		(914,199)	(742,301)
		(154,444,448)	(136,070,001)
Net cash flows from operating activities	34	**(28,804,621)**	**(13,303,363)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(970,921)	(2,611,590)
Proceeds from sale of property, plant and equipment	9	889,759	-
Purchase of other intangible assets	10	(67,238)	(91,500)
Proceeds from sale of biological assets	7	412,400	-
Net cash flows from investing activities		**264,000**	**(2,703,090)**
Cash flows from financing activities			
Finance lease payments		18,554	(560,063)
Net increase/(decrease) in cash and cash equivalents		**(28,522,067)**	**(16,566,516)**
Cash and cash equivalents at the beginning of the year		29,219,005	45,785,521
Cash and cash equivalents at the end of the year	3	**696,938**	**29,219,005**

The accounting policies on pages 13 to 38 and the notes on pages 39 to 80 form an integral part of the annual financial statements.

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	1,033,338	(557,938)	**475,400**	449,178	**(26,222)**	
Other income	-	136,548	**136,548**	192,722	**56,174**	
Administration and management fees	2,122,869	91,011	**2,213,880**	2,839,596	**625,716**	1
Interest received	1,317,378	5,393,948	**6,711,326**	2,742,573	**(3,968,753)**	2
Total revenue from exchange transactions	**4,473,585**	**5,063,569**	**9,537,154**	**6,224,069**	**(3,313,085)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	115,708,001	3,500,400	**119,208,401**	118,998,531	**(209,870)**	
Donations received	-	4,727,949	**4,727,949**	4,727,949	**-**	
Total revenue from non-exchange transactions	**115,708,001**	**8,228,349**	**123,936,350**	**123,726,480**	**(209,870)**	
Total revenue	**120,181,586**	**13,291,918**	**133,473,504**	**129,950,549**	**(3,522,955)**	
Expenditure						
Employee related costs	(91,950,955)	4,498,570	**(87,452,385)**	(87,240,890)	**211,495**	
Remuneration of councillors	(6,091,743)	(830,181)	**(6,921,924)**	(6,626,785)	**295,139**	
Depreciation and amortisation	(4,294,224)	-	**(4,294,224)**	(6,474,246)	**(2,180,022)**	3
Finance costs	(597,000)	(582,078)	**(1,179,078)**	(914,209)	**264,869**	4
Debt Impairment	-	76,476	**76,476**	(216,237)	**(292,713)**	5
Bad debts written off	(110,757)	(2,193,109)	**(2,303,866)**	(2,234,314)	**69,552**	6
Transfers and Subsidies	(50,000)	50,000	**-**	-	**-**	
General Expenses	(16,836,907)	(9,235,712)	**(26,072,619)**	(37,547,805)	**(11,475,186)**	8
Operational costs	-	-	**-**	-	**-**	
Total expenditure	**(119,931,586)**	**(8,216,034)**	**(128,147,620)**	**(141,254,486)**	**(13,106,866)**	
Operating (deficit)	**250,000**	**5,075,884**	**5,325,884**	**(11,303,937)**	**(16,629,821)**	
Loss on disposal of assets and liabilities	-	(892,860)	**(892,860)**	(139,412)	**753,448**	
Fair value adjustments	-	-	**-**	96,537	**96,537**	
Actuarial gains/losses	-	-	**-**	(183,000)	**(183,000)**	
Gain on biological assets	-	892,860	**892,860**	(2,230,254)	**(3,123,114)**	
	-	**-**	**-**	**(2,456,129)**	**(2,456,129)**	
Deficit	**250,000**	**5,075,884**	**5,325,884**	**(13,760,066)**	**(19,085,950)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**250,000**	**5,075,884**	**5,325,884**	**(13,760,066)**	**(19,085,950)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6,408,911	836,422	**7,245,333**	6,220,967	**(1,024,366)**	1
Receivables from exchange transactions	9,093,317	181,677	**9,274,994**	5,156,474	**(4,118,520)**	2
Statutory receivable	2,266,778	1,558,557	**3,825,335**	1,076,802	**(2,748,533)**	3
Cash and cash equivalents	49,734,962	(1,186,706)	**48,548,256**	696,932	**(47,851,324)**	4
	67,503,968	**1,389,950**	**68,893,918**	**13,151,175**	**(55,742,743)**	
Non-Current Assets						
Biological assets	5,264,916	892,860	**6,157,776**	2,081,632	**(4,076,144)**	5
Investment property	7,110,000	1,120,000	**8,230,000**	8,420,000	**190,000**	
Property, plant and equipment	89,292,402	(3,563,708)	**85,728,694**	83,535,345	**(2,193,349)**	6
Intangible assets	1,913,611	(513,526)	**1,400,085**	319,743	**(1,080,342)**	7
Heritage assets	19,750	-	**19,750**	19,750	**-**	
	103,600,679	**(2,064,374)**	**101,536,305**	**94,376,470**	**(7,159,835)**	
Total Assets	**171,104,647**	**(674,424)**	**170,430,223**	**107,527,645**	**(62,902,578)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	13,802	**13,802**	8
Payables from exchange transactions	906,396	1,250,394	**2,156,790**	14,459,697	**12,302,907**	9
Employee benefit obligation	1,000,000	-	**1,000,000**	817,000	**(183,000)**	10
Unspent conditional grants and receipts	-	-	**-**	1,166,405	**1,166,405**	11
Construction contracts	-	-	**-**	30,182	**30,182**	12
VAT	336,773	62,920	**399,693**	-	**(399,693)**	
	2,243,169	**1,313,314**	**3,556,483**	**16,487,086**	**12,930,603**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	4,752	**4,752**	
Employee benefit obligation	-	-	**-**	6,191,000	**6,191,000**	13
	-	**-**	**-**	**6,195,752**	**6,195,752**	
Total Liabilities	**2,243,169**	**1,313,314**	**3,556,483**	**22,682,838**	**19,126,355**	
Net Assets	**168,861,478**	**(1,987,738)**	**166,873,740**	**84,844,807**	**(82,028,933)**	
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	62,024,719	-	**62,024,719**	67,265,761	**5,241,042**	
Accumulated surplus	106,836,759	(1,987,738)	**104,849,021**	17,579,045	**(87,269,976)**	
Total Net Assets	**168,861,478**	**(1,987,738)**	**166,873,740**	**84,844,806**	**(82,028,934)**	

1. Presentation of Annual Financial Statements

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 Going concern assumption

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

1.3 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 entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.4 Significant judgements and sources of estimation uncertainty

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

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.

Allowance for slow moving, damaged and obsolete stock

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

An independent, qualified valuer will be appointed where necessary, for example in estimating the fair value of investment property or biological assets.

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 key 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.

Value in use of cash generating assets.

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

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 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the propert plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the 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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

The municipality used the prime interest rate to discount future cash flow except for long term borrowings or finance leases, where the contractually agreed or implied interest rate is used.

Allowance for impairment of financial assets

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

1.5 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or

1.6 Investment property (continued)

- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Fair value

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows: managements' intended usage of the property; and the extent to which it is owner occupied.

1.7 Property, plant and equipment

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

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.

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings and community assets which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

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

The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20-30 years
Furniture and fittings	Straight-line	5 -30 years
Motor vehicles	Straight-line	5 -15 years
Office equipment	Straight-line	5 -30 years
IT equipment	Straight-line	5 -30 years
Community assets- Land	Straight-line	Indefinite
Other property, plant and equipment	Straight-line	2 -25 years
Community assets - building	Straight-line	5 -30 years
Disaster unit - buildings	Straight-line	5 -30 years
Leased Assets	Straight-line	3 -8 years

1.7 Property, plant and equipment (continued)

The municipality has re-assessed the useful lives of property,plant and equipment 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 in terms of the Standard of GRAP on Accounting Policies,Changes in Estimates and Errors.

Assets of the municipality 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

1.8 Intangible assets

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

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

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.

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.

Intangible assets are initially measured at cost

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 -10 years

1.8 Intangible assets (continued)

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

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

1.9 Heritage assets

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.

The Municipality recognises heritage assets 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 can be measured reliably.
When the Municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 11 - Heritage assets
Heritage assets are initially measured at cost.

When 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 to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

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 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.
The Municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

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.

1.10 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.

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Cash and Cash equivalents	Financial asset measured at amortised cost
Receivables from Exchange transactions (Trade debtors)	Financial asset measured at amortised cost

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

Class	Category
Payables from Exchange transactions (Trade Payables	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Unspent conditional grants and receipts, grant receivable	Financial liability measured at amortised cost

1.10 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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.

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 municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-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 entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively

1.10 Financial instruments (continued)

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

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

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

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

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

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

1.11 Statutory receivables (continued)

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.

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.

1.12 Value added taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.Additional text

1.13 Leases

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

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

Finance leases - lessor

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

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

Significant Accounting Policies

1.13 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - 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.

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.

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

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

1.14 Inventories

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

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

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

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.

1.14 Inventories (continued)

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

1.15 Construction contracts

The municipality received a level two accreditation in terms of the National Housing Code during March 2022 for its participation in the National Housing Programme. It is a project developer in terms of arrangements related to the construction and transfer houses to the beneficiaries of the National Housing Programme.

Grants received to implement the National Housing Programme are recognised as contract revenue.

Contract revenue comprises:
a) the initial amount of revenue agreed in the contract; and
b) variations in contract work, claims and incentive payments to the extent that:
c) it is probable that they will result in revenue; and
d) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed with reference to a review of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
a) total contract revenue, if any, can be measured reliably;
b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity
c) such other costs as are specifically chargeable to the customer under the terms of the contract.
Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract.

Such costs include:
a) general administration costs for which reimbursement is not specified in the contract;
b) selling costs;
c) research and development costs for which reimbursement is not specified in the contract; and
d) depreciation of idle plant and equipment that is not used on a particular contract.

As with contract revenue, contract costs are recognised as expenses when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the reporting date.

1.16 Impairment of cash-generating assets

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

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the Municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities.

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

Identification

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

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

Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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

Significant Accounting Policies

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

Redesignation

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

1.18 Employee benefits

Short-term employee benefits

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

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

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

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other long-term employee benefits

The Municipality has an obligation to provide other long-term service allowance benefits to the majority of its employees.

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
the present value of the defined benefit obligation at the reporting date;
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
current service cost;
interest cost;
actuarial gains and losses, which shall all be recognised immediately;

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

Contingent assets and contingent liabilities are not recognised.Contingencies are disclosed in note 35.

A contingent liability is:
a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The amounts disclosed as contingent liabilities or assets shall be the best estimate of the expenditure required to settle the obligation, or benefits to be obtained at the reporting date. The estimate may be based on guidance from experts, such as attorneys. Where it is not practicable to engage an expert, and it is not practicable to determine expected values with any certainty, the gross amount of a claim or dispute will be disclosed.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

1.20 Commitments (continued)

- 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.

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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

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, in surplus or deficit, using the effective interest rate method.

1.22 Revenue from non-exchange transactions

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

1.22 Revenue from non-exchange transactions (continued)

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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

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.

Debt forgiveness and assumption of liabilities

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

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

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.

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

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

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

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

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

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

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.30 Budget information

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

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

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

1.31 Related parties

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

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.

Significant Accounting Policies

1.31 Related parties (continued)

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.

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

1.32 Events after reporting date

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

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

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.

1.33 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality.Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus /deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	April 1, 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	April 1, 2023	The impact of the is not material.

2.2 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 July 1, 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline (The application of materiality to financial statements)	To be determined	Unlikely there will be a material impact
• GRAP 107 Mergers	To be determined	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	To be determined	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	970	1,141
Short-term deposits	39,343	22,844,846
Bank balance	656,619	6,373,018
	696,932	**29,219,005**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

The municipality had the following bank accounts and cash on hand:

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
STD BANK - Main Account - 240923804	656,619	6,373,018	3,139,802	656,619	6,373,018	3,139,802
Cash on Hand	970	1,141	8	970	1,141	8
ABSA BANK - Fixed Account - 9370995821	-	-	2,798,359	-	-	2,798,359
ABSA BANK - Fixed Account - 9370194405	39,342	22,387,095	39,847,353	39,342	22,387,095	39,847,353
ABSA BANK - Fixed Account - 9372758744	-	345,426	-	-	345,426	-
NEDBANK - Call Account - 037881102918/000064	-	112,325	-	-	112,325	-
Total	**696,931**	**29,219,005**	**45,785,522**	**696,931**	**29,219,005**	**45,785,522**

The following investment accounts matured during the financial period (i.e. the opening and closing balances at the respective reporting dates were nil

ABSA	Fixed deposit	9372758744
ABSA	Fixed deposit	208157806
ABSA	Fixed deposit	2081157791
ABSA	Fixed deposit	2081157628
ABSA	Fixed deposit	2081349809
ABSA	Fixed deposit	2081349752
ABSA	Fixed deposit	2081508952
ABSA	Fixed deposit	2081509013
ABSA	Fixed deposit	41-1430-2716
ABSA	Fixed deposit	41-1430-2724
Standard Bank	Fixed deposit	048463353-048
Standard Bank	Fixed deposit	048463353-049
Standard Bank	Fixed deposit	048463353-050
Standard Bank	Fixed deposit	048463353-051
Standard Bank	48 Hour notice deposit	048463353-052
Standard Bank	Fixed deposit	048463353-053
Standard Bank	call account	048463353-054
Nedbank	call account	037881102918 /000045
Nedbank	call account	037881102918 /000046
Nedbank	call account	037881102918 /000060
Nedbank	call account	037881102918 /000061
Nedbank	call account	037881102918 /000063
Nedbank	call account	037881102918 /000064
Nedbank	call account	037881102918 /000066
Nedbank	call account	037881102918 /000068
Nedbank	call account	037881102918 /000069

4. Receivables from exchange transactions

Trade debtors	4,681,170	6,934,833
Accrued Interest - Investments	288	291,868
Bursary repayment	1,280	2,480
Other debtors	437,950	437,950
Overpayment of councillors	35,786	-
	5,156,474	**7,667,131**

Trade and other receivables were not pledged as security.

Current (0 - 30 days)	1,283,086	1,659,172
31 - 60 Days	91,937	82,067
61 - 90 Days	588,191	637,960
+ 90 Days	3,848,619	5,727,050
Allowance for impairment	(655,355)	(439,118)
	5,156,478	**7,667,131**

Summary of receivables by customer classification	Other	Organs of state	Total
30 June 2024			
Current (0 - 30 days)	467,833	815,253	1,283,086
31 - 60 Days	32,430	59,507	91,937
61 - 90 Days	22,668	565,523	588,191
+ 90 Days	1,095,017	2,753,602	3,848,619
Allowance for impairment	(655,355)	-	(655,355)
	962,593	**4,193,885**	**5,156,478**

Summary of receivables by customer classification	Other	Organs of state	Total
30 June 2023			
Current (0 - 30 days)	816,135	843,037	1,659,172
31 - 60 Days	5,714	76,352	82,066
61 - 90 Days	17,477	620,482	637,959
+ 90 Days	481,843	5,245,209	5,727,052
Allowance for impairment	(439,118)	-	(439,118)
	882,051	**6,785,080**	**7,667,131**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Impairment is provided for on all individual accounts which are more than one month past due. The full amount is not impaired and variable rates are used on each individual account depending on the risk profile of the account. National and Provincial Government accounts and other receivables are not impaired.

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

1 month past due	59,507	76,352
2 months past due	565,523	620,482
3 months past due	2,753,602	5,953,683

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Trade and other receivables impaired

The amount of the allowance for impairment was R 655 355 as of 30 June 2024 (June 2023: R439 117).

5. Statutory receivables

	2024	2023
VAT	1,076,802	1,035,924

6. Inventories

	2024	2023
Bricks	1,556	203,176
Crusher dust and Cement	259,279	20,724
Consumable stores	42,086	103,650
Properties to be transferred	5,918,046	5,918,046
	6,220,967	**6,245,596**

Inventory pledged as security

Inventory was not pledged as security.

7. Biological assets

	2024			2023		
	Cost / Valuation		Carrying value	Cost / Valuation		Carrying value
Biological assets - game	2,081,632	-	2,081,632	4,817,749	-	4,817,749

Reconciliation of biological assets - 2024

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	4,817,749	42,573	(2,685,227)	(93,463)	2,081,632

Reconciliation of biological assets - 2023

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	4,185,653	1,264,499	(628,836)	(3,567)	4,817,749

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Non-financial information

Quantities of each biological asset		
Blesbok	2	6
Blue wildebeest	70	155
Eland	1	18
Gemsbok	61	209
Greater Kudu	4	-
Ostrich	41	53
Red hartebeest	8	14
Springbuck	204	269
Zebra	15	22
	406	**746**

The biological assets for the 2024 financial year were valued by EMS Solutions (PTY) Ltd an independent professional valuer..

The decrease in biological assets was due to the sale and stray animals as a result of a fence not being in a good condition.

Game is valued using officially listed and publicised game auction and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are reflected in the listing below

Non-Biological assets with no commercial value

Black backed jackal	3	3
Vultures	5	9
Domestic cattle	42	27
Domestic horses	9	14
Warthog	2	6
Steenbok (Ibex)	11	7
Duiker	23	-
	95	**66**

Domestic animals on the farm are known to belong to members of the community, and are not considered to be assets of the municipality.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species sales values are exluded as their picing is not a fair reflection of the game populations value.

The increase could be due to changes in environment factors such as rainfall, which resulted in an incline in population numbers.

A register containing the information required by section 63 of MFMA is available for inspection at the registered office of the municipality.

Pledged as security

The biological assets have not been pledged as security:

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

Figures in Rand

8. Investment property

	2024			2023		
	Cost / Valuation		Carrying value	Cost / Valuation		Carrying value
Investment property	8,420,000	-	8,420,000	8,230,000	-	8,230,000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	8,230,000	190,000	8,420,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	7,110,000	1,120,000	8,230,000

Pledged as security

Investment properties are not pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Details of property

Erf 2617 - Kuruman - Campus Freehold ownership property in the Kuruman registration division. Site area is 1190 m square. Title deed No. T1049/1993, previously T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106		
- Valuation	3,080,000	2,980,000
Erf 938 Kuruman - Offices let to the John Taolo Gaetsewe Development Trust Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m²		
- Valuation	2,610,000	2,520,000
Erf 4439 Kuruman - Vacant stand Property in the Northern Cape province with title deed number T26/2011 previously T25/2011. Site area is 17052m		
- Valuation	2,730,000	2,730,000

The last date of the revaluations of investment property was 30 June 2024.Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the municipality.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

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

9. 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	48,290,000	-	48,290,000	45,560,000	-	45,560,000
Buildings	26,057,608	(5,267,588)	20,790,020	23,477,229	(3,966,490)	19,510,739
Furniture and office equipment	5,943,167	(4,736,149)	1,207,018	6,059,226	(4,399,098)	1,660,128
Transport assets	17,226,668	(8,024,749)	9,201,919	16,412,750	(8,331,630)	8,081,120
Computer equipment	7,983,077	(6,433,075)	1,550,002	8,748,581	(6,710,452)	2,038,129
Community assets	552,663	(131,157)	421,506	622,000	(98,510)	523,490
Other property, plant and equipment	3,788,143	(1,713,263)	2,074,880	3,788,143	(1,140,240)	2,647,903
Total	**109,841,326**	**(26,305,981)**	**83,535,345**	**104,667,929**	**(24,646,420)**	**80,021,509**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Total
Land	45,560,000	-	-	-	2,730,000	-	48,290,000
Buildings	19,510,739	-	-	-	2,663,355	(1,297,135)	20,790,020
Furniture and office equipment	1,660,128	8,730	(16,307)	-	-	(446,469)	1,207,018
Transport assets	8,081,120	504,659	(625,775)	4,167,949	-	(2,926,035)	9,201,919
Computer equipment	2,038,129	465,632	(64,760)	-	-	(633,205)	1,805,796
Community assets	523,490	-	-	-	(152,297)	(36,755)	421,506
Other property, plant and equipment	2,647,903	-	-	-	-	(572,878)	2,074,880
	80,021,509	**979,021**	**(706,842)**	**4,167,949**	**5,241,058**	**(5,912,477)**	**83,791,139**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	45,560,000	-	-	-	45,560,000
Buildings	20,808,836	-	-	(1,297,442)	19,510,739
Furniture and office equipment	1,759,376	354,015	(25,320)	(427,938)	1,660,128
Transport assets	6,606,355	3,309,392	(11,435)	(1,823,192)	8,081,120
Computer equipment	2,475,201	490,353	(55,218)	(872,206)	2,038,129
Community assets	556,208	-	-	(32,718)	523,490
Other property, plant and equipment	2,626,257	581,559	-	(560,575)	2,647,903
	80,392,233	**4,735,319**	**(91,973)**	**(5,014,071)**	**80,021,509**

Assets subject to finance lease (net carrying amount)

IT equipment	15,553	-

Figures in Rand	2024	2023

Revaluations

The effective date of the revaluations of land and buildings was 30 June 2024. Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the entity.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

Additions

Assets purchased for cash amounted to R 979 021 (June 2023: R 2 703 090)

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 of community owned properties	630,622	864,373
Maintenance of equipment	682,664	369,068
	1,313,286	**1,233,441**

None of the Property, Plant and Equipment has been pledged as security.

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.

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,432,940	(3,113,197)	319,743	3,834,976	(2,953,233)	881,743

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	881,743	67,238	(67,469)	(561,769)	319,743

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1,423,217	91,500	(639)	(632,335)	881,743

Pledged as security

Intangible assets are not pledged as security.

11. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	19,750	-	19,750	19,750	-	19,750

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	19,750	19,750

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral chain	19,750	19,750

Assessment for Impairment of Heritage assets

The Mayoral chain was assessed for impairment and there were no indications of impairment noted

Pledged as security

The heritage assets are not pledged as security.

Expenditure incurred to repair/maintain heritage assets

No such expenditure was incurred in relation to heritage assets.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Finance lease obligation

Minimum lease payments due		
- within one year	14,400	-
- in second to fifth year inclusive	4,800	-
	19,200	-
less: future finance charges	(646)	-
Present value of minimum lease payments	**18,554**	**-**

Present value of minimum lease payments due		
- within one year	13,802	-
- in second to fifth year inclusive	4,752	-
	18,554	**-**

Non-current liabilities	4,752	-
Current liabilities	13,802	-
	18,554	**-**

13. Payables from exchange transactions

Trade payables	3,020,288	25,659,625
Payroll related liabilities	54,853	109,770
Leave accrual	8,733,454	6,918,846
Bonus accrual	2,254,822	2,074,047
Retentions	345,440	1,967,655
Debtors with credit balances	50,840	49,990
	14,459,697	**36,779,933**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations

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

The employee benefit obligation relate to post-retirement medical aid benefits provided and long service awards.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Post-retirement Medical Aid Benefit and Long Service Award

The municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council. The municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.

The actuarial valuation of the present value of the obligation at 30 June 2024 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

	2024	2023
Carrying value		
Present value of unfunded obligation at the beginning of the year	6,738,000	7,114,000
Net actuarial (gains)/ losses	183,000	(448,000)
Difference between expected and actual current service costs	(601,000)	(620,000)
Interest cost	688,000	692,000
	7,008,000	**6,738,000**
Non-current liabilities	6,191,000	5,638,000
Current liabilities	817,000	1,100,000
	7,008,000	**6,738,000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Medical Aid Benefit-Key assumptions used

The Municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The Municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals. The actuarial valuation of the presentvalue of the obligation at 30 June 2023 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method. Assumptions used at the reporting date for Medical Aid Benefit:

Discount rates used	10.60 %	10.84 %
CPI inflation rate	4.86 %	5.34 %
Health care cost inflation rate	6.36 %	6.84 %
Net effective discount rate	3.99 %	3.74 %

Present value of unfunded obligation at the beginning of the year	2,696,000	3,030,000
Actuarial gains/losses	194,000	(306,000)
Difference between expected and actual current service costs	(313,000)	(325,000)
Interest cost	276,000	297,000
	2,853,000	**2,696,000**

Non-current liabilities	2,505,000	2,383,000
Current liabilities	348,000	313,000
	2,853,000	**2,696,000**

Long Service Awards- Key Assumptions

Discount rates	11.21 %	11.26 %
CPI inflation rate	5.35 %	5.54 %
General earnings inflation rate	6.35 %	6.54 %
Net effective discount rate	4.57 %	4.43 %

Long service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2024 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	4,042,000	4,084,000
Actuarial gains/losses	(11,000)	(142,000)
Difference between expected and actual current service costs	(288,000)	(295,000)
Interest cost	412,000	395,000
	4,155,000	**4,042,000**

Non-current liabilities	3,686,000	3,255,000
Current liabilities	469,000	787,000
	4,155,000	**4,042,000**

Figures in Rand	2024	2023

Sensitivity Analysis - Medical Aid

Introduction

The results presented in Section 6 of the valuation report are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate.

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
(ii) a one percentage point increase and decrease in the discount rate; and
(iii) a one-year age increase and decrease in the assumed rates of post-employment mortality.

Sensitivity analysis on the defined benefit obligation (R Millions)	Change	Total DBO	% Change
Central assumptions		2.853	
Medical aid contribution inflation	+1%	3.042	7%
	+1%	2.681	-6%
Discount rate	+1%	2.689	-6%
	-1%	3.036	6%
Post-employment mortality	+1 yr	2.737	-4%
	-1 yr	2.971	4%

Note to the table above: The post-employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The DBO is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if the medical inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 7% higher than that shown

Sensitivity analysis on interest cost for year ending 30/06/2024	Change	Interest Cost	% Change
Central assumptions		276,000	
Medical aid contribution inflation rate	+1%	296,000	7%
	-1%	258,000	-7%
Discount rate	+1%	282,000	2%
	-1%	268,000	-3%
Post-employment mortality	+1 yr	264,000	-4%
	-1 yr	288,000	4%

Sensitivity analysis on interest cost for year ending 30/06/2025	Change	Interest Cost	% Change
Central assumptions		284,000	
Medical aid contribution inflation rate	+1%	304,000	7%
	-1%	266,000	-6%
Discount rate	+1%	292,000	3%
	-1%	275,000	-3%
Post-employment mortality	+1 yr	272,000	-4%
	-1 yr	297,000	5%

Sensitivity Analysis - Long Service

Introduction

The results presented in Section 6 of the valuation report are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed service termination rates.

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the assumed discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Sensitivity analysis on the DBO	Change	DBO	% Change
Central assumptions		4,155,000	
General earnings inflation rate	+1%	4,398,000	6%
	-1%	3,932,000	-5%
Discount rate	+1%	3,934,000	-5%
	-1%	4,399,000	6%
Average retirement age	+2 yrs	4,487,000	8%
	-2 yrs	3,815,000	-8%
Rates of termination of service	x2	33,324,000	-20%
	x0.5	4,707,000	13%

Sensitivity analysis on current service and interest costs for year ending 30/06/2024	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		499,000	412,000	911,000	
General earnings inflation rate	+1%	534,000	437,000	971,000	7%
	-1%	468,000	389,000	857,000	-6%
Discount rate	+1%	472,000	424,000	869,000	-2%
	-1%	529,000	398,000	927,000	2%
Average retirement age	+2 yrs	528,000	452,000	980,000	8%
	-2 yrs	470,000	375,000	845,000	-7%
Rates of termination of service	x2	370,000	327,000	697,000	-23%
	x0.5	591,000	469,000	1,060,000	16%

Sensitivity analysis on current service and interest costs for year ending 30/06/2025	Change	Current Svc. Cos	Interest Cost	Total	% Change
Central assumptions		536,000	440,000	976,000	
General earnings inflation rate	+1%	574,000	467,000	1,041,000	7%
	-1%	501,000	415,000	916,000	-6%
Discount rate	+1%	506,000	453,000	959,000	-2%
	-1%	569,000	426,000	995,000	2%
Average retirement age	+2 yrs	564,000	477,000	1,041,000	7%
	-2 yrs	503,000	404,000	907,000	-7%
Rates of termination of service	x2	394,000	347,000	741,000	-24%
	x0.5	637,000	502,000	1,139,000	17%

Past and Future Changes in the Net Defined Benefit Liability - Medical Aid

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

Past year and future projected defined benefit obligation	Year Ending 30/06/2024	Year Ending 30/06/2025	Year Ending 30/06/2026
Opening DBO	2,696,000	2,853,000	2,789,000
Interest cost	276,000	284,000	278,000
Expected subsidy (benefit) payments	(313,000)	(348,000)	(350,000)
Projected closing DBO	2,659,000	2,789,000	2,717,000
Actuarial loss / (gain)	194,000	-	-
Actual closing DBO	2,853,000	2,789,000	2,717,000
Current portion (due in next 12 months)	348,000	350,000	352,000
Non-current portion	2,505,000	2,439,000	2,365,000

Notes on the table above:

• These projections assume that the Municipality's subsidy policy will remain as outlined in Section 3 of the valuation report, and that all the actuarial assumptions made are borne out in practice.
• Benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
• There are no curtailments or settlements to reflect.
• The service cost is equal to the current service cost of the DBO as there are no past service costs or settlement gains / losses to consider.
• With no plan asset in place there is no interest revenue, and thus the net interest is equal to the interest cost of the DBO.
• Similarly, without a plan asset present, there is no return on plan asset nor change in the effect of the asset ceiling to consider, and as such the remeasurements component of the net defined benefit liability is equal to the actuarial loss / (gain) in respect of the DBO.

Expected subsidy (benefit) payments: This is an estimate of subsidies (benefits) paid in respect of continuation members, based on the data at the previous valuation date. If the actual amount of subsidies paid is used instead of this estimate, then the actuarial loss / (gain) must change to exactly offset the impact, such that the closing defined benefit obligation remains unchanged. For example, if the actual amount of subsidies paid is R100,000 less than the estimate, then the actuarial loss / (gain) would have to reduce by R100,000 to leave the closing defined benefit obligation as is.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2024	2023
Khotso Pula Nala Grant	30,197	30,197
LG Seta	205,500	204,000
Housing Accreditation	142,033	-
HIV & AIDS	129,521	129,521
CoGHSTA Housing Grant	659,155	862,744
	1,166,406	**1,226,462**

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

Figures in Rand	2024	2023

16. Construction contracts

At June 30, 2024, retention of contracts in progress are 345,440 (2023: 1,967,655).

Agreements that meet all the criteria in paragraph .29 of GRAP9

The entity determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner:

The amount of revenue arising from such agreements in the period	-	39,383,285

The methods used to determine the stage of completion of agreements in progress is as follows:

The aggregate amount of costs incurred for agreements in progress	-	39,353,102
Amount of advances received for agreements in progress	30,182	30,182

17. Revaluation reserve

Opening balance	62,024,719	62,024,719
Change during the year	5,241,042	-
	67,265,761	**62,024,719**

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment. The fair value assessment of land and buildings was performed by DDP Valuers as at 30 June 2024.

18. Rental of facilities and equipment

Premises	449,178	212,195

19. Other income

Insurance claims	136,548	119,660
Discount received	56,174	-
	192,722	**119,660**

20. Administration and management fees

Product related services	2,689,186	2,177,182
Training (LGSETA)	150,410	131,184
	2,839,596	**2,308,366**

21. Interest received

Interest revenue		
Interest charged on receivables from exchange transaction	439,334	799,866
Bank	2,303,239	4,238,591
	2,742,573	**5,038,457**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Government grants and subsidies

Operating grants		
Equitable share	106,128,000	102,257,000
LG SETA	2,749,973	1,070,256
Financial management grant	1,000,000	1,000,000
Expanded public works program	950,000	1,073,000
Rural roads asset management grant	2,559,000	2,122,000
HIV/AIDS grant	250,000	370,479
Infrastructure skills development grant	5,000,001	5,500,000
Housing accreditation grant	157,967	300,000
CoGHSTA - Housing development project	203,590	-
	118,998,531	**113,692,735**

Figures in Rand	2024	2023

Equitable share

The equitable share is a financial allocation from National Treasury in the form of an unconditional grant that enables municipalities to provide basic services to poor households, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions.

Current-year receipts	106,128,000	102,257,000
Conditions met - transferred to revenue	(106,128,000)	(102,257,000)
Net grant receivable	**-**	**-**

Financial management grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
Net of unspent grants	**-**	**-**

The Financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA.

Housing accreditation grant

Current-year receipts	300,000	300,000
Conditions met - transferred to revenue	(157,967)	(300,000)
Net of unspent grants	**142,033**	**-**

The housing grant was utilised for the development of erven and the erection of top structures.

Khotso Pula Nala

Balance unspent at beginning of year	30,197	30,197

The grant related to disaster relief projects at the local municipalities in the district.

Expanded public works programme - incentive grant

Current-year receipts	950,000	1,073,000
Conditions met - transferred to revenue	(950,000)	(1,073,000)
Net of unspent grants	**-**	**-**

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.

HIV and AIDS council

Balance unspent at beginning of year	129,521	-
Current-year receipts	250,000	500,000
Conditions met - transferred to revenue	(250,000)	(370,479)
Net of unspent grants	**129,521**	**129,521**

The grant was used for HIV and AIDS awareness programmes

Infrastructure skill development grant

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Net of unspent grants	**-**	**-**

The grant was used to employ interns for training in civil engineering, building inspections and town planning.

Rural road asset management grant

Current-year receipts	2,559,000	2,122,000
Conditions met - transferred to revenue	(2,559,000)	(2,122,000)
Net of unspent grants	**-**	**-**

This grant is gazetted in the DORA to establish a road asset management system. The municipality uses these funds to employ interns to analyse and report on road usage.

LG SETA

Balance unspent at beginning of year	204,000	204,000
Current-year receipts	2,751,473	1,070,256
Conditions met - transferred to revenue	(2,749,973)	(1,070,256)
	205,500	**204,000**

The grant is used for learning interventions within the district

CoGHSTA - Housing development project

Balance unspent at beginning of year	862,744	862,744
Conditions met - transferred to revenue	(203,589)	-
	659,155	**862,744**

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. Donations in kind

Assmang Black Rock Mine	4,227,949	2,123,729
Northern Cape Economic Development	500,000	-
	4,727,949	**2,123,729**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Employee related costs

Basic salary	57,466,855	51,955,976
Bonus	4,047,374	5,172,295
Medical aid - company contributions	4,572,720	3,997,132
Unemployment insurance fund	294,989	277,820
Skills development levy	704,030	653,851
Leave	3,432,236	3,717,899
Remote allowance	356,687	368,900
Non-Pension allowance	101,700	101,700
Nightshift allowance	745,029	561,425
Long-service awards	318,082	353,107
Acting allowances	1,591,817	898,806
Travel allowance	2,545,325	2,364,107
Housing benefits and allowances	2,053,178	1,896,412
Contribution provident fund	1,030,788	969,538
Contribution pension fund	8,372,548	7,402,547
Contribution industrial council	14,851	13,144
Change in valuation of employee benefit obligations	(601,000)	(620,000)
Cellular phone allowance	193,681	227,929
	87,240,890	**80,312,588**

The senior manager remuneration is in line with the upper limits as per the Government Gazette.

Remuneration of Municipal Manager; K.K Teise

Annual Remuneration	1,218,069	95,426
Travel Allowance	140,964	11,747
Additional transport allowance	28,800	2,400
Cellular phone allowance	19,200	1,600
Remote Allowance	94,984	7,502
Normal leave payout	31,561	-
Acting Allowance	9,416	-
Non Pensionable Gratuity allowance	20,340	-
	1,563,334	**118,675**

Remuneration of Former Municipal Manager: DH Molaole

Terminated on the 31st of July 2022	-	-
Annual Remuneration	-	105,589
Travel Allowance	-	2,400
Remote Allowance	-	7,391
Cellular phone allowance	-	1,600
Performance Bonuses	-	177,389
	-	**294,369**

Remuneration of Director of Infrastructure: MW Molusi

Annual remuneration	1,001,413	951,535
Travel allowance	120,000	120,000
Additional transport allowance	28,800	28,800
Cellular phone allowance	19,200	19,200
Remote Allowance	78,351	75,008
Performance Bonus	-	295,661
Leave Payout	21,752	42,237
Acting Allowance	6,277	209,244
Non Pensionable Gratuity allowance	20,340	20,340
	1,296,133	**1,762,025**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Mr M. Molusi was acting in the position of municipal manager from 01 February 2023 until 31 May 2023.

Remuneration of Director Community Service: TH Matlhare

Annual Remuneration	1,018,571	901,598
Travel Allowance	100,800	100,800
Additional Transport allowance	28,800	28,800
Performance Bonuses	-	270,248
Remote Allowance	78,207	70,678
Cellular phone allowance	19,200	19,200
Leave Payout	22,789	181,453
Non Pensionable Gratuity allowance	20,340	20,340
	1,288,707	**1,593,117**

Remuneration of Director LED: K.K Teise

Terminated on the 31st of May 2023		
Annual Remuneration	-	854,324
Travel Allowance	-	129,217
Additional Transport allowance	-	26,400
Performance Bonuses	-	295,661
Remote Allowance	-	68,848
Cellular phone allowance	-	17,600
Leave Payout	-	211,186
Acting Allowance	-	314,344
Non Pensionable Gratuity allowance	-	20,340
	-	**1,937,920**

Remuneration of Chief Financial Officer: GP Moroane

Annual Remuneration	115,666	987,535
Travel Allowance	7,000	84,000
Additional Transport allowance	2,400	28,800
Performance Bonuses	-	295,661
Remote Allowance	8,563	75,008
Cellular phone allowance	1,600	19,200
Leave Payout	35,818	198,515
Non Pensionable Gratuity allowance	20,340	20,340
	191,387	**1,709,059**

GP Moroane resigned on the 31July 2023.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Remuneration of Director Corporate Services: EM Tshabaemang

Annual Remuneration	435,734	750,929
Travel Allowance	50,000	170,000
Additional Transport allowance	12,000	28,800
Performance Bonuses	-	268,091
Remote Allowance	33,940	64,465
Cellular phone allowance	8,000	19,200
Leave payout	469,848	34,360
Settlement Out Of Court Order	1,025,904	-
Non Pensionable Gratuity allowance	20,340	20,340
	2,055,766	**1,356,185**

EM Tshabaemang contract expired on the 30 November 2023.

Acting allowances of CFO : LL Shupu

Basic Salary	442,386	-
Cellphone Allowance	16,000	-
Additional Transport Allowance	24,000	-
	482,386	**-**

Acting allowances of CFO : TS Motlhanke

Basic Salary	44,238	-

Acting allowances ofdirector LED:BG Segoje

Basic Salary	485,336	-
Additional Transport Allowance	24,000	-
	509,336	**-**

Acting allowances of director LED: G Van Der Westhuizen

Basic Salary	44,238	-

Acting allowances of director corporate : SP Mereyotlhe

Basic Salary	265,432	-
Cellphone Allowance	9,600	-
Additional Transport Allowance	14,400	-
	289,432	**-**

Acting allowances of director corporate : LAN Morris

Basic Salary	44,238	-
Additional Transport Allowance	2,400	-
	46,638	**-**

Figures in Rand	2024	2023

25. Remuneration of councillors

Mayor, Speaker and Councillors	6,626,785	6,223,884

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 remuneration of councillors is in line with the 2024 upper limits as per the Government Gazette.

Executive Mayor: PQ Mogatle-Thoane		
Annual remuneration	886,533	840,326
Pension fund contributions	67,540	64,564
Skills development levy	8,438	7,980
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	1,012,119	**957,270**

Speaker: IE Aiseng		
Annual remuneration	763,259	718,577
Skills development levy	7,881	7,408
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	820,748	**770,385**

Member of mayoral committee: KF Masilabele		
Annual remuneration	664,903	630,906
Pension fund contributions	50,655	48,423
Skills development levy	6,391	6,047
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	771,557	**729,776**

Member of Mayoral Committee: OH Kgopodithata		
Annual remuneration	664,903	627,747
Pension fund contributions	50,655	48,423
Skills development levy	6,391	6,015
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	771,557	**726,585**

Member of Mayoral Commitee: I Matebese		
Annual remuneration	362,352	339,600
Mobile data	4,008	3,600
Skills development levy	4,334	3,948
Cell phone allowance	22,800	20,400
Transport allowance	72,000	54,000
	465,494	**421,548**

Member of Mayoral Committee: PM Kgosienewang		
Annual remuneration	640,744	606,641
Transport allowance	99,752	66,502
Skills development levy	7,453	6,820
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
	797,557	**724,363**
MPAC Chairperson: TM Motsoare		
Annual remuneration	85,546	80,662
Skills development levy	990	927
Mobile data	4,008	3,600
Cell phone allowance	22,800	20,400
	113,344	**105,589**
Councillor: NG Ngesi		
Annual remuneration	280,555	262,700
Pension fund contributions	21,374	20,432
Skills development levy	2,840	2,645
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	354,377	**330,177**
Councillor: KR Paul		
Annual remuneration	271,281	243,610
Transport allowance	40,865	40,865
Skills development levy	3,288	2,985
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	365,042	**331,860**
Councillor: TC Moilwe/Kegakilwe Heading		
Annual remuneration	280,555	262,700
Pension fund contributions	21,374	20,432
Skills development levy	2,840	2,645
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	354,377	**330,177**
Councillor: AI Eilerd		
Annual remuneration	301,929	283,132
Skills development levy	3,267	3,053
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	354,804	**330,585**
Chief Whip: TG Mosegedi		
Annual remuneration	116,482	108,252
Skills development levy	1,299	1,203
Cell phone allowance	22,800	20,400
Mobile data	4,008	3,600
	144,589	**133,455**
Councillor (MPAC committee member): PJ Ohentswe		
Annual remuneration	280,555	264,618
Pension fund contributions	21,374	20,432
Skills development levy	2,840	2,664
Cell phone allowance	45,600	40,800
Mobile data	4,008	3,600
	354,377	**332,114**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Depreciation and amortisation

Property, plant and equipment	5,912,477	5,014,071
Intangible assets	561,769	632,369
	6,474,246	**5,646,440**

27. Finance costs

Interest on overdue accounts	225,445	373,668
Finance leases	764	368,633
Interest on employee benefit obligations	688,000	692,000
	914,209	**1,434,301**

28. Debt impairment

Debt impairment	216,237	76,476

29. Bad debts written-off

Gross balances		
Bad debts written off	2,234,314	778,026

During 2024 financial year the council approved write-off of local municipality old debt owed of trade receivabes.The R 2 234 314 that had been long standing and included interest was written off to this regard.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Operational costs

Advertising	341,429	212,355
Auditors remuneration	3,024,467	3,234,015
Bank charges	251,862	223,083
Business Advisory Services	2,826,939	5,495,550
Maintenance of Equipment	682,664	369,068
Donations	203,176	-
Catering	691,679	572,842
Hire	1,021,216	454,301
Insurance premiums	1,101,984	1,501,111
Community development and training	2,749,973	1,702,690
Conferences and seminars	649,905	324,774
Maintenance of buildings and facilities	49,500	306,090
IT expenses	1,939,197	854,563
Legal fees	1,462,494	864,246
Call centre - disaster management	18,620	85,780
Municipal services	2,061,279	1,618,165
Postage and courier	145	7,472
Printing and stationery	166,557	387,356
Inventory Consumed	399,568	1,027,605
Repairs of community owned properties	630,622	864,373
Security services	3,011,009	2,990,314
Staff welfare	60,667	26,102
Membership fees	1,934,868	733,052
Telephone	651,031	473,597
Travel, subsistence and accommodation	6,661,820	6,240,210
Water quality monitoring	70,250	135,740
Uniforms	88,414	128,442
Study assistance	93,941	64,296
Training and Professional fees	2,523,126	3,551,828
Imbizo events	1,890	67,493
Cleaning Services	2,175,357	2,075,008
Communication	2,156	-
	37,547,805	**36,591,521**

31. Gain/(Loss) on disposal of asset

Gain or loss on disposal of assets and liabilities	(139,412)	(721,414)

32. Fair value adjustments

Investment property (Fair value model)	190,000	1,120,000
Biological assets - (Fair value model)	(93,463)	(3,567)
	96,537	**1,116,433**

33. Gain/(Loss) on biological assets

Gains or losses arising from a change in fair value less point of sale costs	(2,230,254)	1,264,499

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Cash used in operations

	2024	2023
Deficit	(13,760,066)	(5,730,972)
Adjustments for:		
Depreciation and amortisation	6,474,246	5,646,440
Donations	-	-
Gain/Loss on disposal of assets	-	-
Fair value adjustments	(96,537)	(1,116,433)
Gain/(Loss) on biological assets	2,230,254	628,836
Interest income	-	560,063
Actuarial gains/losses	183,000	-
Asset write offs & disposals	67,469	-
Finance costs	688,000	-
Debt impairment	216,237	76,476
Bad debts written off	2,234,31	778,026
Movements in retirement benefit assets and liabilities	(601,000)	-
Asset write-offs	-	92,576
Non-cash donations and other in-kind benefits	(4,167,949)	(3,388,228)
Gains/losses on disposal of assets	139,412	-
Changes in working capital:		
Inventories	24,629	856,197
Receivables from exchange transactions	60,106	(108,482)
Payables from exchange transactions	(22,395,802)	27,213,723
VAT	(40,878)	1,494,089
Unspent conditional grants and receipts	(60,057)	129,521
	(28,804,621)	**(13,303,363)**

35. Contingencies

	Matters disclosed	
Figures in Rand	2024	2023
Zitshunele Trading & contracting CC VS John Taolo Gaetswe District Municipality litigation claim. The matter is still at a preliminary stage but there is a possibility that the matter may go to court.	2 000 000 + 200 000 legal costs	2 300 000 + 200 000 legal costs
John Taolo Gaetwe District Municipality VS Edith Tshabaemang labour litigation claim. The first respondent {Ms Tshabaemang) has filed her answering affidavit. The municipality has filed the answering affiddavit together with the application for condonation.However there were discussions of settlement between the municipality and Ms Tshabaemang which have not been concluded as of yet.	-	3 000 000 +300 000 legal costs
John Taolo Gaetswe District Municipality VS T Mathabethe litigation claim.To file Appeal record, and application to reinstate the Appeal and to prepare an answering affidavit on the Ex parte Contempt application	3 500 000 + 500 000 legal costs	3 000 000 + 300 000 legal costs
John Taolo Gatswe District Municipality VS Public protector litigation claim. The applicant brought an application intention to tax bill of costs.We have perused the judgement the municipality succeeded with the review application,however we ordered to pay the costs of the late filing of the condonation application in the sum of R 158 792.71.	50 000.00 to 150 000.00	300 000 + 50 000 legal costs
IMATU obo Rossouw and Van der westhuizen VS John Taolo Gaetswe District Municipality litigation claim.The file is not part of our records.We noted the matter has been st down for hearing at the Labour Court on 02 March 2023. We appeared on 2nd of March 2023,the matter was postponed to 11 September 2023.The municipality was ordered to pay costs occasioned by the postponement.The next step is providing the municipality with a legal opinion on the prospects of success on the matter and to schedule a meeting with the MM once the legal opinion been submitted.	1 500 000 + 700 000 legal costs	800 000 + 500 000 legal costs
John Taolo district Municipality and Growthink Investments (Pty) Ltd	50 000 to 100 000 legal costs	-
JTG V Tshabaemang - Ms. Tshabaemang has initiated proceedings at the High Court in Kimberly to declare certain appointments of senior managers unlawful. The matters have been opposed by the municipality, we have filed our answering affidavit. The next step is to apply for a date of hearing.	3 000 000 + 1 000 000 legal costs	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Related parties

Relationships

Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust
Members of key management	Refer to note 24
Councillors	Refer to note 25

Compensation of key management personnel.

The compensation of key managemnt personnel is set out in note 24 to the Annual Financial statements.

Related party balances

	2024	2023
Amounts included in Trade receivable (Trade Payable) regarding related parties		
John Taolo Gaetsewe Developmental Trust	29,900	21,723
Irregular expenditure, interest and other amounts recoverable from councillors		
Kgosienewang PM	16,625	-
Matebese I	12,000	-
Paul KR	6,811	-

All councillors and senior managers are required to declare their business interest annually. Such business interest are listed below.

Notes to the Annual Financial Statements

Councillors:	
PQ Mogatle-Thoane	Bomme-Sejo Services and Supply Co-Operative Limited
	Annex Langdon Commodities Smelters
	Adonia Kuruman Mall
	Blesbok Coal Mine
	Queen Mogatle Foundation
NG Ngesi	Bokone Mining Primary C-Operative Limited
	Ditukus Projects
PJ Ohentswe	Letso Investment
	Josbil Protection Services
	JTG Trucking Group
	Kgalagadi Freights
PM Kgosienewang	Kgosienewang Civil and General Construction
TC Moilwe	Ashelwang Trading Enterprise
OH Kgopodithata	Faraway Agricultural
	Refemele Multi Purpose Primary Co-Operative
Senior Management:	
K Teise	Kagisano Motlhaping Manganese Mine
	Kagisano Manganese and Iron Ore Mine
	KM Manganese and Iron Ore Mine
GP Moroane	Envision Forthtoo
SP Mereotlhe	Sey Mining and Projects
TH Matlhare	Maremane Mining and Projects
	Moremolemo Trading
TS Motlhanke	Maitsa General Trading CC
Seconded from local municipalities	
Joe Morolong Local Municipality	
N. Tswere	Batho Phuthanang Sand Mining
	Tsela Kgopo Primary Co-Operative Limited
G Kaotsane	Hiddekil Mining and Logistics
	SABA Logistics
Gamagara Local Municipalities	
B Sebego	Mapoteng Community Forum
T Motsoare	Pharaphama Multi Business
	Gamagara Business Forum
	Tsantsabane Social and Labour Development Forum

Other councillors and senior managers(Including those who acted for the period) not disclosed, do not have any active business interest.

Key management information

Figures in Rand	2024	2023

37. Risk management

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 and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years
At 30 June 2024		
Trade and other payables	3,416,569	-
At 30 June 2023		
Trade and other payables	27,677,270	-
	31,093,839	**-**

Credit risk

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

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

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

Financial instrument	30 June 2024	30 June 2023
Trade Receivables from exchang transctions	5,156,474	7,667,131

Market risk

Figures in Rand	2024	2023

Interest rate risk

The entity’s interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.During 2023 and 2022, the entity’s borrowings at variable rate were denominated in the Rand

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

	At Fair Value through Surplus/Deficit 2024	At Amortised Cost 2024	At Fair Value Through Surplus/deficit 2023	At Amortised Cost 2023
Financial Assets 2024/2023				
Receivables from exchange	-	4,681,170	-	6,934,833
Cash and Cash Equivalents	-	696,932	-	29,219,005
Financial Liabilities 2024/2023				
Contract advance	30,182	-	30,182	-
Payables from exchange	-	3,416,568	-	27,677,270
Unspent conditional grants	1,166,405	-	1,226,462	-
Finance Lease obligations	-	18,554	-	-
	-	-	-	-

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

38. Going concern

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

The municiplaity is technically insolvent, based on the fact that the municiplaity realised deficits in both current and prior year (2024: R13 760 066; 2023: R5 730 972), and a significant decrease in cash and cash equivalents (2024: R696 932; 2023: R29 219 005). The net current liability (liquidity) ratio is 0,8 (2023: 1,1).

Despite the above negative indicator, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Government Grants	2025
Equitable Share	109,352,000
infrustructure Skills Development Grant	5,000,000
Rural Roads and Asset Management Grant	2,226,000
	116,578,000

39. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	-	12,523,188
Add: Unauthorised expenditure - current	11,228,515	1,651,263
Less: Amount written-off - current	(11,228,515)	(1,651,263)
Less: Amount written-off - prior period	-	(12,523,188)
Closing balance	**-**	**-**

Analysed as follows (per vote)

	2024	2023
Vote 1 - Executive & Council	-	1,305,007
Vote 2 - Finance & Administration	10,723,823	-
Vote 3 - Internal Audit	263,259	-
Vote 6 - Community & Social Services	41,041	346,255
Vote 7 - Housing	200,392	-
	11,228,515	**1,651,262**

40. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	-	2,638
Add: Fruitless and wasteful expenditure identified - current	225,508	373,668
Less: Amount written off - current	(225,508)	(373,668)
Less: Amount written off - prior period	-	(2,638)
Closing balance	**-**	**-**

The amounts disclosed for fruitless and wasteful expenditure are exclusive of VAT.

Figures in Rand	2024	2023

Details of fruitless and wasteful expenditure

Interest and penalties	225,508	373,668

41. Irregular expenditure

Opening balance as previously reported	1,203,573	-
Add: Irregular expenditure - current	349,485	45,368
Add: Irregular expenditure - prior period	-	217,764
Non Compliance with PPR2022	-	1,203,573
Less: Amount written off - current	-	(45,368)
Less: Amount written off - prior period	(1,203,573)	(217,764)
Closing balance	**349,485**	**1,203,573**

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

The incident below related to non-compliance with procurement process requirements. The amounts below are inclusive of VAT.

Non Compliance with SCM requirements	349,485	-
Non Compliance with PPR2022	-	1,203,573
Competitive bid not advertised for 30 days	-	45,368
	349,485	**1,248,941**

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,850,339	712,844
Amount paid - current year	(931,372)	(712,844)
	918,967	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Audit fees

Opening balance	40,197	-
Current year subscription / fee	3,024,550	3,234,015
Amount paid - current year	(3,024,550)	(3,193,818)
Amount paid - previous years	(40,197)	-
	-	**40,197**

SDL and UIF

Current year subscription / fee	995,424	926,712
Amount paid - current year	(995,424)	(926,712)
	-	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	12,625,589	11,101,689
Amount paid - current year	(12,625,589)	(11,101,689)
	-	**-**

VAT

VAT receivable	1,076,802	1,035,924

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

43. 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 and section 36 of the Supply Chain Management regulations state that a supply management policy may allow the accounting officer -.

To dispense with the official procurement process established by the policy and to procure any required goods or services through any convenient process which may include direct negotiations, but only-.

i. In an emergency
ii. If such goods or services are produced or available from a single provider only
iii. For acquisition of animals for zoos or
iv. In any other exceptional case where it is impractical or impossible to follow the official procurement process

The accounting Officer may dispense with the official procurement process in the above circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The following tables shows the amounts of deviation and reasons for deviation:

Reason for deviation		
Emergency	-	18,105
Sole supplier	292,295	141,841
Impractical or impossible to follow procurement process/exceptional case	675,510	1,176,154
	967,805	**1,336,100**

44. Segment information

General information

The Municipality does not have reportable segment information.

John Taolo Gaetsewe District Municipality is located in Kuruman Northern cape ,geographic area inland.

Reporting Segment Reporting factors:

John Taolo Gaetsewe is a district municipality that does not offer a wide variety of services to the public. Due to its limited revenue streams and client base management reports on the municipality’s financial health as a whole. The municipality also does not have any designated cost centres for the different revenue streams; and assets and liabilities are not linked to each, thus strengthening the point of reporting on an overall perspective.

45. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

1.A new audit commitee member was appointed after the adjustment budget,his travelling costs are higher than budgeted

2. The municipality expected debtors to pay within time, and avoid increase on interest on debtors.

3. Municipality reassessed remaining useful lives and received donated assets in the current year

4. The printing machine contract changed from finance lease to operating lease, thereby resulting in a decrease in finance lease.

5. Interest on finance lease decreased. The printing machine contract changed from finance lease to operating lease..

6. There was a council resolution to write off interest on amounts owed by municipalities and Gamagara Municipality old debt was written off.

7. General increase in prices of commodities.One of the key cost drivers, being operational cost which includes accommodation, subsistence and traveling etc

STATEMENT OF FINANCIAL POSITION

1. Municipality has donated Bricks to Joe Morolong Local Municiality.

2. The municipality wrote off interest on Gamagara Municipality old debt.

3.VAT receivable/ payables is the consequential effect of the transcations in income and expenses account.

4.The budget was based on the historic information or performance of the municipality.

5 The nature of this transcation requires the valuation and expert advice. The valuation is only done once a year

6.The municipality disposed computer equipments in the current year.

7. Given the number of cases realting to veld fires, a compluter equipment was a need to record and communicate the information.

8.The major contribution is leave accrual due to the fact that the leave encashment days were less than provised for.

9.The nature of this transcation requires the valuation and expert advice. The valuation is only done once a year and its based on economic assumptions.

10.The municipality anticipated to spent the grants by 30 June, whilst other grants the municipality is still waiting for rollover approvals.

11.The municipality anticipated to spent the grant by 30 June 2024, however the municipality is still waiting for rollover approval

Figures in Rand	2024	2023

12.VAT receivable/ payables is the consequential effect of the transcations in income and expenses account

13.The nature of this transcation requires the valuation and expert advice. The valuation is only done once a year and its based on economic assumptions.

46. Change in estimate

Property, plant and equipment

The useful lives of assets were reviewed in the current year, resulting in a change in the depreciation for the current year. This resulted in the increase in current year depreciation of R 177 276. There will be a decrease in the future depreciation of these assets of R 177 276 in the future periods.

Asset class	**Depreciation before change in estimate**	**Depreciation after change in estimate**	**(Increase)/ Decrease in depreciation**
Transport assets	2,976,722	(2,926,035)	50,687
Computer equipment	960,578	(888,303)	72,275
Furniture & Office Equipment	493,734	(446,469)	47,265
Other PPE	580,072	(573,023)	7,049
	5,011,106	**(4,833,830)**	**177,276**

47. 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

2024

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		8,375,605	(708,474)	7,667,131

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Bad debts		69,552	708,474	778,026

Errors

No prior period errors occurred during the year under review.

Receivables on exchanges transctaions was decreased as a result of approved interest write off not recorded in the previous year.

Bad debts written off was increased as a result of approved interest write off not recorded in the previous year.