



Dr. Beyers Naudé

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**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2024**

**AUDITED**

# Dr Beyers Naude Local Municipality

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

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<b>ASB</b>	Accounting Standards Board
<b>MPAC</b>	Municipal Public Accounts Committee
<b>PAYE</b>	Pay As You Earn
<b>SALGA</b>	South African Local Government Association
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>SARS</b>	South African Revenue Services
<b>SDL</b>	Skills Development Levy
<b>IAS</b>	International Accounting Standards
<b>UIF</b>	Unemployment Insurance Fund
<b>VAT</b>	Value Added Tax
<b>MFMA</b>	Municipal Finance Management Act
<b>MIG</b>	Municipal Infrastructure Grant (Previously CMIP)
<b>mSCOA</b>	Municipal Standard Chart of Accounts

# Dr Beyers Naude Local Municipality

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## GENERAL INFORMATION

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**Legal form of entity** The entity functions as a Local Municipality established under par 151 of the Constitution of the Republic of South Africa 1996, as amended.

**Nature of business and activities** The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

### Mayoral committee

Mayor Cllr W.J Safers

Speaker Cllr C Felix

Executive Committee Cllr W.J Safers Cllr K.E Kekana  
Cllr E.A Ruiters Cllr E.L Loock

Councillors Cllr A Arries Cllr D.J Bezuidenhout  
Cllr I.J Bolligelo Cllr H Booysen  
Cllr I Van Zyl Cllr M Deysel  
Cllr Y.D Frazenburg Cllr X.N Galada  
Cllr K Hendricks Cllr N.A.V Jacobs  
Cllr J.D Lomborg Cllr A Mfundisi-Koeberg  
Cllr A.S Nofemele Cllr T.L.A Plaatjies  
Cllr T Spogter Cllr R.L Smith  
Cllr A.R Van Heerden Cllr J.J Arries  
Cllr J.J Williams Cllr G.J Wiehahn \*

\* Partial year

**Grading of local authority** Grade Three (3)

**Accounting Officer** Dr. E.M Rankwana

**Chief Financial Officer** Mr J. Joubert

**Registered office** P.O. Box 71  
Graaff Reinet  
6280

**Business address** 12 - 14 Caledon Street  
Graaff Reinet  
6280

**Auditors** Auditor General of South Africa (AGSA) - East London  
69 Frere Road  
Vincent  
East London

**Primary banker** Standard Bank

# **Dr Beyers Naude Local Municipality**

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## **ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

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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.

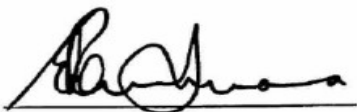
I, as the accounting officer acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 31 AUGUST 2024 and were signed by me:



Dr E.M RANKWANA  
ACCOUNTING OFFICER  
31 AUGUST 2024

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2024

Figures in Rand

	Notes	2024	2023 Restated*
<b>ASSETS</b>			
<b>Current Assets</b>			
VAT Accrual Receivable	3	39 127 307	29 957 057
Inventories	4	8 603 235	3 703 602
Other Receivables	5	5 865 736	1 526 811
Statutory Receivables from Non-Exchange Transactions	6	4 861 464	4 140 443
Receivables from Exchange Transactions	7	29 903 518	20 375 071
Cash and Cash Equivalents	8	9 366 017	12 205 934
		<b>97 727 277</b>	<b>71 908 918</b>
<b>Non-Current Assets</b>			
Investment Property	9	27 292 764	27 334 130
Property, Plant and Equipment	10	1 071 247 674	1 083 571 466
Intangible Assets	11	5	5
Heritage Assets	12	11 097 670	11 097 670
		<b>1 109 638 113</b>	<b>1 122 003 271</b>
<b>Total Assets</b>		<b>1 207 365 390</b>	<b>1 193 912 189</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Other financial liabilities	13	1 049 339	10 969 328
Payables from Exchange Transactions	14	345 532 010	641 374 282
Payables from Non-exchange Transactions	15	4 925 470	6 276 123
Municipal Debt Relief financial liabilities	16	126 316 271	-
Consumer Deposits	17	3 939 947	3 904 501
Unspent Conditional Grants and Receipts	18	6 410 000	-
Provisions	19	-	1 872 820
Employee benefit obligation	20	3 444 075	3 958 589
		<b>491 617 111</b>	<b>668 355 643</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	13	-	1 265 563
Municipal Debt Relief financial liabilities	16	214 870 699	-
Provisions	19	34 213 650	28 359 000
Employee benefit obligation	20	52 238 786	43 927 977
		<b>301 323 135</b>	<b>73 552 540</b>
<b>Total Liabilities</b>		<b>792 940 246</b>	<b>741 908 183</b>
<b>Net Assets</b>		<b>414 425 143</b>	<b>452 004 005</b>
<b>Accumulated Surplus</b>		<b>414 425 143</b>	<b>452 004 005</b>

# DR BEYERS NAUDE MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2024

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

Figures in Rand	Notes	2024	2023 Restated*
<b>REVENUE</b>			
<b>Revenue from Exchange Transactions</b>			
Service charges	21	280 976 202	217 859 477
Agency services	22	2 027 534	2 141 061
Interest earned	23	17 818 078	14 587 383
Interest earned - Investments	23	1 102 203	646 234
Rental of facilities and equipment	24	969 552	2 217 010
Other revenue	25	4 332 812	5 504 311
Licences and permits	26	743 429	610 760
Gains on disposal of assets and liabilities	40	2 001 219	-
		<b>309 971 029</b>	<b>243 566 236</b>
<b>Revenue from Non-exchange Transactions</b>			
<b>Taxation revenue</b>			
Property Rates	27	45 517 792	42 322 650
<b>Transfer revenue</b>			
Fines, penalties and forfeits	28	1 303 700	491 895
Government grants and subsidies	29	196 285 959	201 422 771
Public contributions and donations	30	148 345 000	5 613 434
		<b>391 452 451</b>	<b>249 850 750</b>
<b>Total Revenue</b>		<b>701 423 480</b>	<b>493 416 986</b>
<b>EXPENDITURE</b>			
Employee related costs	31	(185 178 029)	(176 634 079)
Remuneration of councillors	32	(9 973 517)	(9 415 764)
Debt impairment	33	(111 116 001)	(85 274 789)
Depreciation and amortisation	34	(59 075 815)	(60 523 595)
Impairment loss	35	(241 985)	(487 093)
Finance cost	36	(83 100 828)	(59 461 612)
Bulk purchases	37	(134 568 958)	(112 710 799)
Operational Cost	38	(68 216 994)	(65 349 242)
Contracted Services	39	(71 605 423)	(48 710 375)
Operating Leases	41	(13 813 038)	(8 945 811)
Loss on disposal of assets	40	-	(1 889 632)
<b>Total Expenditure</b>		<b>(736 890 588)</b>	<b>(629 402 791)</b>
<b>Deficit before actuarial gains and release from obligation</b>		<b>(35 467 107)</b>	<b>(135 985 805)</b>
Actuarial (losses)/gains	42	(2 111 755)	7 642 140
<b>DEFICIT FOR THE YEAR</b>		<b>(37 578 862)</b>	<b>(128 343 665)</b>

# DR BEYERS NAUDE MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2024

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

Figures in Rand	Accumulated Surplus	Total of Net Assets
<b>Opening balance as previously reported</b>	586 572 419	586 572 419
Adjustments for correction of errors		
Payables from Exchange Transactions	(6 389 941)	(6 389 941)
Payables from Non Exchange Transactions	165 193	165 193
<b>Balance at 01 July 2022 as restated*</b>	<b>580 347 670</b>	<b>580 347 670</b>
Changes in net assets		
Deficit for the year	(128 343 665)	(128 343 665)
<b>Balance at 01 July 2023 as restated*</b>	<b>452 004 005</b>	<b>452 004 005</b>
Changes in net assets		
Deficit for the year	(37 578 862)	(37 578 862)
<b>Balance at 30 June 2024</b>	<b>414 425 143</b>	<b>414 425 143</b>

# DR BEYERS NAUDE MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2024

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Figures in Rand		2024	2023 Restated*
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Rates and services		220 021 953	199 164 365
Government grants and subsidies		202 695 959	201 422 771
Public contributions and donations		2 501 985	2 003 917
Interest - investment		1 102 203	646 234
		<b>426 322 100</b>	<b>403 237 287</b>
<b>Payments</b>			
Employee cost		(193 069 693)	(170 361 873)
Suppliers		(113 847 876)	(84 529 186)
Finance costs		(75 812 878)	(50 405 763)
		<b>(382 730 447)</b>	<b>(305 296 822)</b>
<b>Net cash flow from operating activities</b>	<b>43</b>	<b>43 591 653</b>	<b>97 940 465</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	<b>10</b>	(50 715 527)	(75 237 545)
Proceeds from sale of property, plant and equipment		17 142 676	20 535
<b>Net cash flow from investing activities</b>		<b>(33 572 851)</b>	<b>(75 217 010)</b>
<b>Cash flow from financing activities</b>			
Payment of other financial liabilities		(12 858 719)	(11 836 359)
<b>Net cash flow from financing activities</b>		<b>(12 858 719)</b>	<b>(11 836 359)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2 839 917)</b>	<b>10 887 096</b>
Cash and cash equivalents at the beginning of the year		12 205 934	1 318 838
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>9 366 017</b>	<b>12 205 934</b>



## **DR BEYERS NAUDE MUNICIPALITY**

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### **REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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Figures in Rand

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For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

**The three key business units comprise of:**

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

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

Management does not monitor performance geographically and does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

**DR BEYERS NAUDE MUNICIPALITY**

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

**REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2024**

Figures in Rand

Segment Revenue	30 JUNE 2024				TOTAL
	Community and Public Safety	Economic and Environment al Services	Trading Services	Other Services	
External revenue from non-exchange transactions	3 805 570	24 791 368	195 588 763	167 266 749	391 452 451
External revenue from exchange transactions	928 203	3 241 237	319 394 140	(32 512 832)	291 050 748
Interest earned	-	-	-	18 920 281	18 920 281
	<b>4 733 773</b>	<b>28 032 605</b>	<b>514 982 904</b>	<b>153 674 198</b>	<b>701 423 480</b>
<b>Segment Expenses</b>					
Other segment expenses	-		(239 928 394)	(15 730 087)	(255 658 480)
Employee related cost	(24 775 584)	(32 681 802)	(50 475 871)	(77 244 771)	(185 178 029)
Depreciation and amortisation	(519 026)	(8 461 866)	(47 133 958)	(3 202 946)	(59 317 795)
Finance cost				(83 100 828)	(83 100 828)
Contracted Services	(4 116 561)	(10 320 408)	(44 183 203)	(12 985 252)	(71 605 423)
Operational Cost	(3 755 140)	(6 582 643)	(33 357 197)	(24 522 015)	(68 216 994)
Operating Leases	-	-	-	(13 813 038)	(13 813 038)
	<b>(33 166 310)</b>	<b>(58 046 719)</b>	<b>(415 078 623)</b>	<b>(230 598 935)</b>	<b>(736 890 588)</b>
<b>Operating deficit</b>	<b>(28 432 537)</b>	<b>(30 014 114)</b>	<b>99 904 281</b>	<b>(76 924 737)</b>	<b>(35 467 107)</b>
<b>Other information</b>					
Additions to non-current assets	2 157 773	207 424	57 457 678	2 270 265	62 093 140

**DR BEYERS NAUDE MUNICIPALITY**

(Registration number: EC101)

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**REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2024**

Figures in Rand

Segment Revenue	30 JUNE 2023				TOTAL
	Community and Public Safety	Economic and Environment al Services	Trading Services	Other Services	
External revenue from non-exchange transactions	5 364 620	35 125 895	50 529 537	158 830 699	249 850 751
External revenue from exchange transactions	1 564 264	3 120 133	241 148 988	(17 500 767)	228 332 618
Interest earned	-	-	-	15 233 617	15 233 617
	<b>6 928 884</b>	<b>38 246 028</b>	<b>291 678 525</b>	<b>156 563 549</b>	<b>493 416 986</b>
<b>Segment Expenses</b>					
Other segment expenses	-	-	(189 050 294)	(20 240 691)	(209 290 985)
Employee related cost	(25 708 537)	(32 273 744)	(47 392 507)	(71 259 291)	(176 634 079)
Depreciation and amortisation	(532 130)	(8 675 509)	(48 032 144)	(3 770 905)	(61 010 688)
Finance cost	-	-	-	(59 461 612)	(59 461 612)
Contracted Services	(4 682 678)	(4 684 450)	(30 994 700)	(8 348 546)	(48 710 374)
Operational Cost	(7 002 355)	(6 697 884)	(27 529 054)	(24 119 949)	(65 349 242)
Operating Leases	-	-	-	(8 945 811)	(8 945 811)
	<b>(37 925 700)</b>	<b>(52 331 587)</b>	<b>(342 998 699)</b>	<b>(196 146 805)</b>	<b>(629 402 791)</b>
<b>Operating deficit</b>	<b>(30 996 816)</b>	<b>(14 085 559)</b>	<b>(51 320 174)</b>	<b>(39 583 256)</b>	<b>(135 985 805)</b>
<b>Other information</b>					
Additions to non-current assets	12 416 246	-	67 158 254	177 431	79 751 931

# DR BEYERS NAUDE MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2024

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

<b>Budget on cash basis</b>							
Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%	Ref
<b>Statement of financial performance</b>							
<b>Revenue from Exchange Transactions</b>							
Service charges	247 842 084	63 062 462	310 904 546	280 976 202	29 928 344	10%	N1
Agency services	5 675 359	(293 342)	5 382 017	2 027 534	3 354 483	62%	N2
Interest earned	10 521 438	9 528 963	20 050 401	17 818 078	2 232 323	11%	N3
Interest earned - Investments	616 103	580 070	1 196 173	1 102 203	93 970	8%	N4
Rental of facilities & equipment	3 727 309	(1 600 670)	2 126 639	969 552	1 157 087	54%	N5
Other revenue	6 488 079	(845 628)	5 642 451	4 332 812	1 309 639	23%	N6
Licences and permits	1 602 814	(180 000)	1 422 814	743 429	679 385	48%	N7
Gains/(Loss) on disposal of assets and liabilities	5 271 495	-	5 271 495	2 001 219	3 270 276	62%	N8
	<b>281 744 681</b>	<b>70 251 855</b>	<b>351 996 536</b>	<b>309 971 029</b>	<b>42 025 507</b>		
<b>Revenue from Non-exchange Transactions</b>							
<b>Taxation revenue</b>							
Property Rates	45 043 334	6 717 279	51 760 613	45 517 792	6 242 821	12%	N9
<b>Transfer revenue</b>							
Fines, penalties and forfeits	690 015	(600 000)	90 015	1 303 700	(1 213 685)	-1348%	N10
Government grants and subsidies	200 530 120	9 806 213	210 336 333	196 285 959	14 050 374	7%	N11
Public contributions and donations	-	-	-	148 345 000	(148 345 000)	100%	N12
	<b>246 263 469</b>	<b>15 923 492</b>	<b>262 186 961</b>	<b>391 452 451</b>	<b>(129 265 491)</b>		
<b>Total Revenue</b>	<b>528 008 150</b>	<b>86 175 346</b>	<b>614 183 496</b>	<b>701 423 480</b>	<b>(87 239 984)</b>		
<b>EXPENDITURE</b>							
Employee related costs	186 369 861	7 904 001	194 273 862	185 178 029	9 095 833	5%	N13
Remuneration of councillors	9 285 393	979 311	10 264 704	9 973 517	291 187	3%	N14
Debt impairment	13 797 748	-	13 797 748	111 116 001	(97 318 253)	-705%	N15
Depreciation and amortisation	64 573 373	-	64 573 373	59 075 815	5 497 558	9%	N16
Impairment losses	-	-	-	241 985	(241 985)	0%	N17
Finance cost	10 452 306	61 935 040	72 387 346	83 100 828	(10 713 482)	-15%	N18
Bulk purchases	130 814 840	2 591 720	133 406 560	134 568 958	(1 162 398)	-1%	N19
Contracted Services	17 382 151	24 561 746	41 943 897	71 605 423	(29 661 526)	-71%	N20
Operational Cost	109 937 802	(3 194 124)	106 743 678	68 216 994	38 526 684	36%	N21
Operating Leases	11 684 564	5 757 253	17 441 817	13 813 038	3 628 779	21%	N22
<b>Total Expenditure</b>	<b>554 298 038</b>	<b>100 534 947</b>	<b>654 832 985</b>	<b>736 890 588</b>	<b>(82 057 603)</b>		
<b>Operating deficit</b>	<b>(26 289 888)</b>	<b>(14 359 600)</b>	<b>(40 649 488)</b>	<b>(35 467 107)</b>	<b>(5 182 381)</b>		

## DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

<b>Budget on cash basis</b>						
Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%
<b>Statement of financial position</b>						
<b>Current Assets</b>						
Inventories	4 589 146	365 821	4 954 967	8 603 235	(3 648 268)	-74% <b>N23</b>
Other Receivables	48 622 390	15 352 039	63 974 429	44 993 043	18 981 386	30% <b>N24</b>
Consumer Debtors	35 347 988	7 251 414	42 599 402	34 764 982	7 834 420	18% <b>N25</b>
Cash and Cash Equivalents	(39 034 486)	(20 838 238)	(59 872 724)	9 366 017	(69 238 741)	116% <b>N26</b>
	<b>49 525 038</b>	<b>2 131 036</b>	<b>51 656 074</b>	<b>97 727 277</b>	<b>(46 071 203)</b>	
<b>Non Current Assets</b>						
Investment Property	26 124 132	(41 366)	26 082 766	27 292 764	(1 209 998)	-5% <b>N27</b>
Property, Plant and Equipment	1 077 744 402	24 913 592	1 102 657 994	1 071 247 674	31 410 320	3% <b>N28</b>
Intangible Assets	-	-	-	5	(5)	100% <b>N29</b>
Heritage Assets	11 097 671	-	11 097 671	11 097 670	1	0% <b>N30</b>
	<b>1 114 966 205</b>	<b>24 872 226</b>	<b>1 139 838 431</b>	<b>1 109 638 113</b>	<b>30 200 318</b>	
<b>TOTAL ASSETS</b>	<b>1 164 491 243</b>	<b>27 003 262</b>	<b>1 191 494 505</b>	<b>1 207 365 390</b>	<b>(15 870 885)</b>	
<b>Current Liabilities</b>						
Borrowings	-	-	-	1 049 339	(1 049 339)	-100% <b>N31</b>
Trade and other payables	507 365 055	165 832 316	673 197 371	350 457 480	322 739 891	48% <b>N32</b>
Long term Trade Payables	-	-	-	126 316 271	(126 316 271)	100% <b>N32</b>
Consumer Deposits	3 819 562	84 940	3 904 502	3 939 947	(35 445)	-1% <b>N33</b>
Unspent Conditional Grants	-	-	-	6 410 000	(6 410 000)	100% <b>N35</b>
Provisions	12 278 802	1 157 718	13 436 520	3 444 075	9 992 445	74% <b>N34</b>
<b>Total Current Liabilities</b>	<b>523 463 419</b>	<b>167 074 974</b>	<b>690 538 393</b>	<b>491 617 111</b>	<b>198 921 282</b>	
<b>Non Current Liabilities</b>						
Borrowings	7 608 092	3 361 236	10 969 328	-	10 969 328	100% <b>N31</b>
Long term Trade Payables	-	-	-	214 870 699	(214 870 699)	100% <b>N32</b>
Provisions	66 014 737	3 644 700	69 659 437	86 452 436	(16 792 999)	-24% <b>N34</b>
<b>Total Non Current Liabilities</b>	<b>73 622 829</b>	<b>7 005 936</b>	<b>80 628 765</b>	<b>301 323 135</b>	<b>(220 694 370)</b>	
<b>TOTAL LIABILITIES</b>	<b>597 086 248</b>	<b>174 080 910</b>	<b>771 167 158</b>	<b>792 940 246</b>	<b>(21 773 088)</b>	
<b>NET ASSETS</b>	<b>567 404 995</b>	<b>(147 077 648)</b>	<b>420 327 347</b>	<b>414 425 143</b>	<b>5 902 204</b>	

## DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

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#### Financial Performance

- N1** Higher budgeted revenue than anticipated
- N2** Many other agencies are being utilized for renewal of licences resulting in lower agency fees
- N3** Budget may be higher than expected. Future deductions in budget must be considered
- N4** Actual is in line with budget and variance lower than 10%
- N5** Certain community halls not operational and resulting in lower revenue than anticipated
- N6** Unallocated deposits lower than prior year
- N7** Overbudgeted as the impact of filling of vacancies not as expected
- N8** Higher profit than anticipated
- N9** Higher rebates and lower realization of property rates revenue
- N10** Budgeted on a cash basis where the current year includes the accruals not yet paid
- N11** No/minor deviation from grant schedules as budgeted.
- N12** Municipal debt relief revenue for new programme not budgeted for. Discount received from National Treasury (1% rebate), through regular payments made towards the audit fee debt. Donations by other government departments not communicated early enough.
- N13** Slower than expected recruitment of vacant positions
- N14** Actual is in line with budget and variance lower than 10%. Remuneration is in line with the upper limits regulation
- N15** Significant increase of debtors during the financial year due to free basic services (IGG) review process
- N16** Largely due to disposals resulting in reduction in depreciation
- N17** Very difficult to budget for impairment on assets
- N18** Estimated interest severely affected by non payment of creditors within legislated 30 days period due to sever cashflow constraints
- N19** Low variance from actual
- N20** Large project for installation of toilet cisterns in informal settlements. Significant increase in sanitation and security services as a result of environmental health risks and an increase in vandalism.
- N21** Financial position has resulted in significant reduction of expenditure. While municipal vehicle expenditure increased, the rest of the operational costs decreased significantly.
- N22** New printers tender lower than budgeted for

## DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

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#### Financial Position

- N23** Timing. Higher usage of stock close to year end
- N24** Higher budgeted balance than anticipated
- N25** High level of provision for doubtful debts accounted for in the actual balance
- N26** Improved management of cash liquidity
- N27** Actual in line with budget
- N28** Actual in line with budget
- N29** Actual in line with budget
- N30** Actual in line with budget
- N31** Security debt repayments were not made in line with the signed agreement hence the outstanding amount remains high
- N32** Reclassification of municipal debt relief balance approved by NT to financial liability
- N33** Actual in line with budget
- N34** Employee benefit obligation reduced from prior year as opposed to forecasted increase.
- N35** Late allocation and receipt of grant unable to be spent

# **DR BEYERS NAUDE MUNICIPALITY**

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

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 (No. 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.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements are disclosed below:

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

#### **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 Budget information**

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

#### **1.4 Comparative figures**

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

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

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 43 to the financial statements.



# **DR BEYERS NAUDE MUNICIPALITY**

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **1.5 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### **1.6 Significant judgements and sources of estimation uncertainty**

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

#### **Judgements**

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

#### **Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

#### **Receivables**

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

The impairment for trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

#### **Provisions**

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

# **DR BEYERS NAUDE MUNICIPALITY**

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **1.6 Significant judgements and sources of estimation uncertainty (continued)**

#### **Pension and other 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, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### **Effective interest rate**

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

#### **Allowance for doubtful debts**

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

#### **Provision for rehabilitation of refuse landfill sites**

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

#### **Depreciation and amortisation**

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

#### **Inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per kilolitre.

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.7 Investment property

#### Initial recognition

Investment property is property 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
- ☐ sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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.

#### Subsequent Measurement - Cost Model

Subsequent to the initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

#### Depreciation

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down cost, less estimated residual value by equal instalments over the useful life of the property.

The useful lives of items of investment property have been assessed as follows:

---

Item	Depreciation method	Average useful life
Items useful life:		
Land	None	Indefinite
Buildings	Straight line	30 - 100 years

Land is not depreciated as it is considered to have an indefinite useful life.

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.7 Investment property (continued)

#### Impairments

The entity tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an investment property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal gains or losses arising from the retirement or disposal of investment property is the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

### 1.8 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.8 Property, plant and equipment (continued)

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.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an items of property, plant and equipment are accounted for as property, plant and equipment.

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

#### Subsequent measurement - Cost model

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life. Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

#### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

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

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 1.8 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	30 - 100 years
Infrastructure		
Roads and paving	Straight line	50 years
Water	Straight line	15 - 20 years
Electricity	Straight line	20 - 30 years
Sewerage	Straight line	15 - 20 years
Landfill sites	Straight line	30 years
Community		
Recreational facilities	Straight line	20 - 50 years
Museums and art galleries	Straight line	20 - 50 years
Security measures	Straight line	5 years
Cemeteries	Straight line	25 - 30 years
Community halls	Straight line	30 - 100 years
Transport assets		
Specialised vehicles	Straight line	10 years
Other vehicles	Straight line	5 years
Other property, plant and equipment		
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 20 years
Bins and Containers	Straight line	5 years
Emergency equipment	Straight line	5 years
Plant and equipment	Straight line	2 - 5 years
Airports	Straight line	15 years
Computer equipments	Straight line	3 - 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.8 Property, plant and equipment (continued)

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

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

#### Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

#### Library books

Library books are held to provide a service to the community. The books are fully depreciated in the year of acquisition due its individual and aggregate immaterial value. Library books are expected to be used over more than one reporting period and are therefore classified as property, plant and equipment. A register of the library books is maintained by the municipality. Using the principles in GRAP 1 and GRAP 3, the number of books on hand at year-end are disclosed as narrative in the note on property, plant and equipment.

### 1.9 Intangible assets

#### Initial recognition

An Intangible asset is an identifiable non-monetary asset without physical existence. An intangible 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 onto 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 are attributable to the asset will flow to the municipality; and
- ☐ the cost or fair value of the asset can be measured reliably.

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.9 Intangible assets

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

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

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

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

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

### Subsequent measurement - Cost model

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

### Amortization

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset. The residual value of an intangible asset with a finite useful life is considered to be zero.

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

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

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



# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.9 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (Note 11).

### Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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

### 1.10 Financial instruments

#### Initial recognition

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.

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

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

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

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

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

# DR BEYERS NAUDE MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.10 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

- ☐ derivatives;
- ☐ combined instruments that are designated at fair value;
- ☐ instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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### 1.11 Inventories

#### Initial recognition

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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.

#### Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.12 Employee benefits

#### Short-term employee benefits

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.

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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.12 Employee benefits (continued)

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Other post retirement obligations

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

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

### 1.13 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.

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### 1.13 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- ☐ necessarily entailed by the restructuring; and
- ☐ not associated with the ongoing activities of the municipality

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

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

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

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

### 1.14 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.

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ there has been compliance with the relevant legal requirements.



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### 1.15 Revenue from non-exchange transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Government grants

Government grants are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- ☐ the amount of the revenue can be measured reliably, and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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### 1.15 Revenue from non-exchange transactions (continued)

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.16 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.

### 1.17 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

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.

### 1.18 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.

### 1.19 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), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.20 Related parties

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

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

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

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

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

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

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

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

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

### 1.21 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.

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

- ☐ Antique/Art/Jewelry
- ☐ Historical buildings
- ☐ Monuments

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **1.21 Heritage assets (continued)**

#### **Initial 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.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

The municipality applies the cost model to all classes of heritage assets.

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

#### **Impairment**

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

#### **Transfers**

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

#### **Derecognition**

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

The carrying amount of a heritage asset shall be derecognised: (a) on disposal (including disposal through a non-exchange transaction); or (b) when no future economic benefits or service potential are expected from its use or disposal.

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

### **1.22 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.22 Statutory receivables (continued)

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 rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

### Recognition

The municipality recognises statutory receivables as follows:

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

### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- ☐ interest or other charges that may have accrued on the receivable (where applicable);
- ☐ impairment losses; and
- ☐ amounts derecognised

### Accrued interest

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.

### 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.22 Statutory receivables (continued)

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.
- ☐ 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 are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the 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/rewards of ownership of the receivable;
- ☐ 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- ☐ Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- ☐ Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.24 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.

#### Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in the 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.

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### 1.25 Events after reporting date

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

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

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

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.

### 1.26 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.26 Impairment of cash-generating assets (continued)

#### Designation

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

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

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### 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).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.26 Impairment of cash-generating assets (continued)

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.

### 1.27 Value added Tax (VAT)

The municipality accounts for VAT on the accrual basis of accounting. The municipality is liable to for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act.

Where Input VAT exceeds output VAT the municipality recognises a receivables for VAT. Where output VAT exceeds input VAT the municipality recognises a payable for VAT.

The municipality is registered for VAT on the payment basis. VAT is claimed from/paid to SARS only once payment is made to supplier or cash is collected on vatable suppliers.

### 1.28 Investment income

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

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **1.29 Consumer deposits**

Consumer deposits are disclosed as a current liability and carried at amortised cost which is the amount at which the liability is measured at initial recognition minus principal repayments.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### **1.30 Contingent liabilities and assets**

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. A contingent liability could also be 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 will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### **1.31 Living and Non-living resources**

Living resources are those resources, other than Biological Assets that form part of an agricultural activity, that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

The municipality does not have any living resources

The municipality extracts water from various boreholes across the municipality to sustain the demand. The Nqweba dam that is a natural resource has been experiencing severe pressure and has been dry for long periods. However the only water source subject to our control is the boreholes as the Nqweba dam is the ownership of the department of water and sanitation as it was handed to for major maintenance to be performed.

For each borehole the municipality has a water use licence that stipulates the abstraction rate. No rehabilitation is done, the idea is to manage the abstraction to prevent the borehole from drying up.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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### 1.32 Segment reporting

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

#### The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

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

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

The entity has adopted the standard for the first time in the 2023/2024 annual financial statements.

GRAP 25 (As revised): Employee Benefits

IGRAP 7: Limit on a Defined Benefit Asset Min Fund requirement and interact

IGRAP 21: The effect of Past Decisions on Materiality

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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### **2. NEW STANDARDS AND INTERPRETATIONS**

#### **2.2 Standards and interpretations issued, but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ☐ GRAP 1: Presentation of Financial Statements
- ☐ GRAP 103 Heritage assets
- ☐ GRAP 104 Financial instruments
- ☐ GRAP 105 Transfer of Functions Between Entities Under Common Control
- ☐ GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- ☐ GRAP 107 Mergers

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>3. VAT ACCRUAL RECEIVABLE</b>		
VAT Accrual Receivable	<u>39 127 307</u>	<u>29 957 057</u>

Prior year VAT Receivable has been restated. Refer to prior period errors note for information.

Dr Beyers Naude Municipality is registered for VAT on the payment basis. All VAT returns have been timeously submitted on the due dates. The South African Revenue Services (SARS) charges interest and penalties on late payments.

The VAT accrual receivable balance is the total net accrual of invoices raised not yet paid less income raised not yet received.

## 4. INVENTORIES

Consumable stores	8 387 756	3 488 123
Water	<u>215 479</u>	<u>215 479</u>
	<b><u>8 603 235</u></b>	<b><u>3 703 602</u></b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R6,510 (2023: R16,645) was written up (2023: written off) during the year.

No Inventories have been pledged as collateral for liabilities of the municipality.

<b>Reconciliation of consumable stores</b>	<b>2024</b>	<b>2023</b>
Opening balance	3 488 123	3 023 423
Acquisitions/Purchases	10 201 407	4 630 446
Inventory consumed	(5 315 206)	(4 247 735)
Write-downs	6 510	(16 645)
Adjustments	6 922	98 634
Closing balance	<b><u>8 387 756</u></b>	<b><u>3 488 123</u></b>

## Reconciliation of Water inventory

	2024			2023		
	Volume	Unit value	Total	Volume	Unit value	Total
Opening Balance	35 836		215 418	25 080		215 479
Water production	4 839 029	24,25	117 360 372	4 603 119	21,80	100 347 994
Water Sold	(2 654 068)	24,25	(64 368 783)	(2 611 723)	21,80	(56 935 561)
Non-revenue water	(2 199 117)	24,25	(53 334 903)	(1 980 640)	21,80	(43 178 048)
Average unit rate adjust			343 314			(234 446)
	<b><u>21 680</u></b>		<b><u>215 418</u></b>	<b><u>35 836</u></b>		<b><u>215 418</u></b>

## 5. OTHER RECEIVABLES

Sundry deposits	510 900	510 900
Sundry debtors	4 051 136	547 411
Fines accrual	<u>1 303 700</u>	<u>468 500</u>
	<b><u>5 865 736</u></b>	<b><u>1 526 811</u></b>

Prior year Other Receivable has been restated. Refer to prior period errors note for information.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Consumer debtors - Rates	4 861 464	4 140 443
Rates	42 657 079	37 534 152
<b>Less: Allowance for impairment</b>	<b>(37 795 615)</b>	<b>(33 393 709)</b>
<b>Net Balance</b>	<b>4 861 464</b>	<b>4 140 443</b>
<b>Ageing</b>		
Current (0-30 days)	1 860 209	1 712 637
31 - 60 days	892 445	816 882
61 - 90 days	762 027	687 441
91 - 120 days	990 968	673 197
121 days +	38 151 430	33 643 995
	<b>42 657 079</b>	<b>37 534 152</b>
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0-30 days)	1 263 701	1 418 107
31 - 60 days	478 443	472 406
61 - 90 days	412 294	372 079
91 - 120 days	418 596	367 634
121 days +	17 032 163	13 659 312
	<b>19 605 197</b>	<b>16 289 538</b>
<b>Summary of debtors by customer classification (Continued)</b>		
<b>Industrial/commercial</b>		
Current (0-30 days)	660 388	493 954
31 - 60 days	396 986	322 239
61 - 90 days	336 088	299 700
91 - 120 days	561 765	293 366
121 days +	18 507 151	17 256 540
	<b>20 462 378</b>	<b>18 665 799</b>
<b>National and provincial government</b>		
Current (0-30 days)	(63 880)	(199 424)
31 - 60 days	17 016	22 236
61 - 90 days	13 645	15 663
91 - 120 days	10 606	12 196
121 days +	2 612 116	2 728 144
	<b>2 589 503</b>	<b>2 578 815</b>
<b>Total</b>		
Current (0-30 days)	1 860 209	1 712 637
31 - 60 days	892 445	816 882
61 - 90 days	762 027	687 441
91 - 120 days	990 967	673 197
121 days +	38 151 430	33 643 995
<b>Less: Impairment</b>	<b>(37 795 615)</b>	<b>(33 393 709)</b>
	<b>4 861 463</b>	<b>4 140 443</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)</b>		
<b>Total debtors past due but not impaired</b>		
61 - 90 days	138 152	197 633
91 - 120 days	102 160	144 940
121 days +	3 155 351	2 266 851
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(33 393 709)	(27 419 644)
Bad debts written off against allowance	754 988	1 762 895
Current year's impairment	(5 156 894)	(7 736 960)
	<b>(37 795 615)</b>	<b>(33 393 709)</b>
<p>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. Property Rates arise from the Municipal Property Rates Act (No. 6 of 2004) as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipality's approved rates policy.</p>		
<p>Impairment of Statutory receivables are assessing based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.</p>		
<b>7. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Gross balances</b>		
Electricity	22 690 421	16 461 406
Water	110 791 998	77 579 300
Sewerage	85 624 506	52 236 624
Refuse	82 880 255	62 965 441
Housing	159 719	161 430
Sundry	6 349 404	5 717 177
	<b>308 496 303</b>	<b>215 121 378</b>
<b>Less: Allowance for impairment</b>		
Electricity	(8 481 178)	(7 822 865)
Water	(102 673 697)	(71 336 112)
Sewerage	(81 321 484)	(49 437 337)
Refuse	(80 517 777)	(61 113 227)
Housing	(159 155)	(160 698)
Sundry	(5 439 494)	(4 876 068)
	<b>(278 592 785)</b>	<b>(194 746 307)</b>
<b>Net balance</b>		
Electricity	14 209 243	8 638 541
Water	8 118 301	6 243 188
Sewerage	4 303 022	2 799 287
Refuse	2 362 478	1 852 214
Housing	564	732
Sundry	909 910	841 109
	<b>29 903 518</b>	<b>20 375 071</b>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b>Electricity</b>		
Current (0-30 days)	10 798 960	8 128 757
31 - 60 days	1 587 748	751 200
61 - 90 days	894 249	489 060
91 - 120 days	741 829	481 641
121 days +	8 667 635	6 610 748
	<b>22 690 421</b>	<b>16 461 406</b>
<b>Water</b>		
Current (0-30 days)	11 447 619	6 119 007
31 - 60 days	4 632 616	3 042 565
61 - 90 days	4 464 821	2 923 698
91 - 120 days	3 973 389	2 619 613
121 days +	86 273 553	62 874 417
	<b>110 791 998</b>	<b>77 579 300</b>
<b>Sewerage</b>		
Current (0-30 days)	5 310 117	3 301 020
31 - 60 days	4 028 032	2 701 362
61 - 90 days	3 731 000	2 363 834
91 - 120 days	3 018 932	2 088 701
121 days +	69 536 425	41 781 707
	<b>85 624 506</b>	<b>52 236 624</b>
<b>Refuse</b>		
Current (0-30 days)	3 130 120	2 711 822
31 - 60 days	2 537 252	2 347 957
61 - 90 days	2 369 275	2 098 621
91 - 120 days	1 954 925	1 985 397
121 days +	72 888 683	53 821 644
	<b>82 880 255</b>	<b>62 965 441</b>
<b>Housing rental</b>		
Current (0-30 days)	-	384
31 - 60 days	1	384
61 - 90 days	1	384
91 - 120 days	1	384
121 days +	159 716	159 894
	<b>159 719</b>	<b>161 430</b>
<b>Sundry</b>		
Current (0-30 days)	133 254	129 406
31 - 60 days	84 506	84 475
61 - 90 days	92 337	77 374
91 - 120 days	126 268	86 928
121 days +	5 913 039	5 338 994
	<b>6 349 404</b>	<b>5 717 177</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0-30 days)	25 426 082	16 016 578
31 - 60 days	11 060 829	7 789 974
61 - 90 days	10 403 596	7 131 834
91 - 120 days	8 661 810	6 499 726
121 days +	223 197 251	151 147 063
	<b>278 749 568</b>	<b>188 585 175</b>
<b>Industrial/commercial</b>		
Current (0-30 days)	7 130 197	2 982 375
31 - 60 days	1 121 201	507 190
61 - 90 days	642 447	387 507
91 - 120 days	729 501	372 470
121 days +	15 493 944	13 051 789
	<b>25 117 290</b>	<b>17 301 331</b>
<b>National and provincial government</b>		
Current (0-30 days)	(1 736 208)	1 391 444
31 - 60 days	688 125	630 778
61 - 90 days	505 639	433 630
91 - 120 days	424 034	390 469
121 days +	4 747 856	6 388 551
	<b>4 629 446</b>	<b>9 234 872</b>
<b>Total</b>		
Current (0-30 days)	30 820 071	20 390 397
31 - 60 days	12 870 155	8 927 942
61 - 90 days	11 551 682	7 952 971
91 - 120 days	9 815 345	7 262 665
121 days +	243 439 051	170 587 403
Less: Impairment	(278 592 784)	(194 746 307)
	<b>29 903 520</b>	<b>20 375 071</b>
Impairment:	(278 592 784)	(194 746 307)
<b>Total debtors past due but not impaired</b>		
61 - 90 days	1 500 331	997 942
91 - 120 days	990 480	679 500
121 days +	7 336 139	4 911 056
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(194 746 307)	(145 405 838)
Bad debts written off against allowance	21 695 422	24 796 446
Current year's impairment	(105 541 899)	(74 136 915)
	<b>(278 592 784)</b>	<b>(194 746 307)</b>

# DR BEYERS NAUDE MUNICIPALITY

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>8. CASH AND CASH EQUIVALENTS</b>		
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	4 305	4 305
Bank Accounts	800 137	1 369 307
Current Investments	8 561 575	10 832 322
<b>Total Bank, Cash and Cash Equivalents</b>	<b>9 366 017</b>	<b>12 205 934</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
ABSA - Cheque Account - 4053623514	64 681	61 709	-	-
Standard Bank - Cheque - Primary	607 992	1 174 495	690 948	1 312 652
Standard Bank - Cheque - 0332104206	109 189	34 677	109 189	56 655
ABSA Investments - 9257114251	32 402	30 171	32 402	30 171
Investec - 1100458805501	-	-	-	-
Standard bank - FMG Call account - /002	7 446 916	9 803 132	7 446 916	9 803 132
Standard bank - FMG Call account - /003	3 269	3 115	3 269	3 115
Standard bank - FMG Call account - /004	8 917	11 837	8 917	11 837
Standard bank - FMG Call account - /006	1 070 071	984 067	1 070 071	984 067
	<b>9 343 437</b>	<b>12 103 203</b>	<b>9 361 712</b>	<b>12 201 629</b>

## 9. INVESTMENT PROPERTY

	2024			2023		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	28 951 841	(1 659 077)	27 292 764	28 951 841	(1 617 711)	27 334 130

### Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	428 928	(41 366)	387 562
	<b>27 334 130</b>	<b>(41 366)</b>	<b>27 292 764</b>

### Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	470 294	(41 366)	428 928
	<b>27 375 496</b>	<b>(41 366)</b>	<b>27 334 130</b>

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.

All of the municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024			2023		
	R			R		
	2024			2023		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	121 139 682	-	121 139 682	121 266 061	-	121 266 061
Buildings	52 789 271	(23 160 149)	29 629 122	54 489 230	(21 347 011)	33 142 219
Infrastructure	1 232 331 709	(413 192 521)	819 139 188	1 146 663 476	(368 771 610)	777 891 866
Community	42 717 400	(7 002 648)	35 714 752	29 854 350	(5 790 218)	24 064 132
Work-in-progress	19 971 374	-	19 971 374	87 735 665	-	87 735 665
Landfill sites	27 737 659	(4 724 308)	23 013 351	20 530 582	(3 899 991)	16 630 591
Transport assets	31 443 203	(13 294 031)	18 149 172	22 648 679	(11 318 079)	11 330 600
Other assets	14 490 844	(9 999 811)	4 491 033	22 596 925	(11 086 593)	11 510 332
<b>Total</b>	<b>1 542 621 142</b>	<b>(471 373 468)</b>	<b>1 071 247 674</b>	<b>1 505 784 968</b>	<b>(422 213 502)</b>	<b>1 083 571 466</b>

### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation and Impairment	Total
Land	121 266 061	-	(126 379)	-	-	121 139 682
Buildings	33 142 219	-	(170 940)	-	(3 342 157)	29 629 122
Infrastructure	777 891 866	33 026 054	(7 438 662)	66 081 078	(50 421 148)	819 139 188
Community	24 064 132	2 086 938	(14 547)	10 848 864	(1 270 635)	35 714 752
Work-in-progress	87 735 665	13 251 067	-	(81 015 358)	-	19 971 374
Landfill sites	16 630 591	3 728 816	-	3 478 261	(824 317)	23 013 351
Transport assets	11 330 600	9 208 485	(171 778)	-	(2 218 135)	18 149 172
Other assets	11 510 332	791 780	(7 218 192)	607 155	(1 200 042)	4 491 033
<b>Total</b>	<b>1 083 571 466</b>	<b>62 093 140</b>	<b>(15 140 498)</b>	<b>-</b>	<b>(59 276 434)</b>	<b>1 071 247 674</b>

### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation and Impairment	Total
Land	121 266 061	-	-	-	-	121 266 061
Buildings	36 558 888	-	(194 831)	-	(3 221 838)	33 142 219
Infrastructure	817 556 233	5 065 467	(1 655 374)	9 500 747	(52 575 207)	777 891 866
Community	25 163 668	-	-	-	(1 099 536)	24 064 132
Work-in-progress	26 497 102	70 622 317	-	(9 383 754)	-	87 735 665
Landfill sites	17 502 710	-	(36 288)	(116 993)	(718 838)	16 630 591
Transport assets	9 676 911	3 609 518	-	-	(1 955 829)	11 330 600
Other assets	12 477 451	454 629	(23 674)	-	(1 398 074)	11 510 332
<b>Total</b>	<b>1 066 699 024</b>	<b>79 751 931</b>	<b>(1 910 167)</b>	<b>-</b>	<b>(60 969 322)</b>	<b>1 083 571 466</b>

# DR BEYERS NAUDE MUNICIPALITY

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023
	R	Restated* R

### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Impairment Losses on Property, Plant and Equipment to the amount of R241 985 (2023: R487 093) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35

The municipality has 12 libraries within the geographical area. The library books controlled on behalf of the Province are all individually and in aggregate immaterial and most of the books are not in a good condition. The cost of the library books is recorded in asset listings but are depreciated in full in the year of acquisition. The recording in the asset listings is necessary in order that control can be exercised over the books.

No assets were pledged as security for liabilities

The municipality has various assets that are fully depreciated which are still in use. These assets are immaterial in value (averaging R105 per item) and will be replaced once funding is made available.

The following work in progress balances are included in PPE. No depreciation charge is recognized against these amounts.

Infrastructure Assets	19 398 408	72 228 420
Community Assets	426 195	11 275 059
Landfill Sites	146 771	3 625 031
Other Assets	-	607 155
	<b>19 971 374</b>	<b>87 735 665</b>

The following projects (included in work-in-progress) is taking a significant longer period to complete:

Project	Carrying value	Reason for delays
Installation bulk water&sewerage infrastructure	501 975	The planned settlement was halted due to financial constraints and lack of developers to develop the infrastructure. The Project to continue in 2024/2025.
Electricity standby transformers	336 120	The delay was due to the municipality awaiting grant funding approval. Project approved for additional funding and to continue in the 2024/25 financial year.
GRT: Rehabilitation of stormwater	375 319	
GRT: Improve performance of filters at water treatment works	274 800	

### 11. INTANGIBLE ASSETS

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	362 563	(362 558)	5	362 563	(362 558)	5

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>11. INTANGIBLE ASSETS (Continued)</b>		
<b>Reconciliation of intangible assets - 2024</b>	<b>Opening balance</b>	<b>Amortization Total</b>
Computer software	5	-
	<u>5</u>	<u>-</u>
		<u>5</u>
<b>Reconciliation of intangible assets - 2023</b>	<b>Opening balance</b>	<b>Amortization Total</b>
Computer software	5	-
	<u>5</u>	<u>-</u>
		<u>5</u>

## 12. HERITAGE ASSETS

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	2 768 000	-	2 768 000	2 768 000	-	2 768 000
Antique/Art/Jewelry	1 215 950	-	1 215 950	1 215 950	-	1 215 950
Monuments	7 113 720	-	7 113 720	7 113 720	-	7 113 720
<b>Total Heritage Assets</b>	<b>11 097 670</b>	<b>-</b>	<b>11 097 670</b>	<b>11 097 670</b>	<b>-</b>	<b>11 097 670</b>

<b>Reconciliation of heritage assets - 2024</b>	<b>Opening balance</b>	<b>Total</b>
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
	<u>11 097 670</u>	<u>11 097 670</u>

<b>Reconciliation of heritage assets - 2023</b>	<b>Opening balance</b>	<b>Total</b>
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
	<u>11 097 670</u>	<u>11 097 670</u>

No heritage assets have been pledged as collateral for liabilities of the municipality.

## 13. OTHER FINANCIAL LIABILITIES

### At amortised cost

Performance security deposit- Utilities world	1 049 339	12 234 891
<b>Total other financial liabilities</b>	<u><b>1 049 339</b></u>	<u><b>12 234 891</b></u>

An additional amendment performance security deposit is repayable over a period of 24 months from August 2022 to July 2024 at an interest rate of 25,41% per annum.

### Non-current liabilities

At amortised cost	-	1 265 563
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## DR BEYERS NAUDE MUNICIPALITY

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>13. OTHER FINANCIAL LIABILITIES (Continued)</b>		
<b>Current liabilities</b>		
At amortised cost	1 049 339	10 969 328
<b>14. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables and other accruals	252 220 601	551 374 467
Retentions	4 008 889	5 232 094
Leave pay accrual	12 512 588	12 562 032
Bonus accrual	6 855 775	6 027 730
Debtors with credit balances	8 691 875	6 169 172
Statutory and non-statutory deductions	61 242 282	60 008 787
<b>Total Payables</b>	<b>345 532 010</b>	<b>641 374 282</b>
The Payables from exchange transactions balance has been restated. Refer to prior period errors note for information		
<b>15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Unallocated receipts	4 107 436	5 536 968
Debtors with credit balances	818 034	739 155
<b>Total Payables</b>	<b>4 925 470</b>	<b>6 276 123</b>
<b>16. MUNICIPAL DEBT RELIEF FINANCIAL LIABILITIES</b>		
<b>At fair value</b>	341 186 970	-
<b>Description</b>		
<b>Non-current liabilities</b>		
At amortised cost	214 870 699	-
<b>Current liabilities</b>		
At amortised cost	126 316 271	-
Refer to note 30 for detailed description on the Municipal Debt Relief financial liability		
<b>17. CONSUMER DEPOSITS</b>		
Electricity	2 587 888	2 606 062
Water	1 326 528	1 272 909
Other sundry deposits	25 531	25 530
	<b>3 939 947</b>	<b>3 904 501</b>

No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Total Unspent Conditional Grants</b>	<b>6 410 000</b>	<b>-</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	-	-
Additions during the year	81 775 135	86 639 536
Income recognition during the year	(75 365 135)	(86 639 536)
Balance at the end of the year	<b>6 410 000</b>	<b>-</b>

See note 29 for reconciliation of grants from National/Provincial Government.

## 19. PROVISIONS

<b>Reconciliation of provisions - 2024</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Total</b>
Legal proceedings	1 872 820	(1 872 820)	-
Rehabilitation of landfill sites	28 359 000	5 854 650	34 213 650
<b>Total Provisions</b>	<b>30 231 820</b>	<b>3 981 830</b>	<b>34 213 650</b>
<b>Reconciliation of provisions - 2023</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Total</b>
Legal proceedings	1 872 820	-	1 872 820
Rehabilitation of landfill sites	22 656 150	5 702 850	28 359 000
<b>Total Provisions</b>	<b>24 528 970</b>	<b>5 702 850</b>	<b>30 231 820</b>
Non-current liabilities		34 213 650	28 359 000
Current liabilities		-	1 872 820
		<b>34 213 650</b>	<b>30 231 820</b>

### Rehabilitation of landfill sites

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. Some of the sites are expected to be closed in 2041, after which rehabilitation will take place over the course of the next 20 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation: - The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The following are the landfill sites of the municipality:

Sites	Remaining useful life
Jansenville	2 years remaining
Klipplaat	5 years remaining



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>19. PROVISIONS (Continued)</b>		
<b>Sites</b>		
Steytlerville	7 years remaining	
Willowmore	5 years remaining	
Rietbron	4 years remaining	
Aberdeen	17 years remaining	
Graaff-Reinet	12 years remaining	
Nieu-Bethesda	1 year remaining	
<b>20. EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>Defined benefit plan</b>		
The plan is a post employment medical benefit plan		
<b>Post retirement medical aid plan and long service award</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(42 993 953)	(35 024 954)
Present value of long service award	(12 688 908)	(12 861 612)
	<b>(55 682 861)</b>	<b>(47 886 566)</b>
Non-current liabilities	(52 238 786)	(43 927 977)
Current liabilities	(3 444 075)	(3 958 589)
	<b>(55 682 861)</b>	<b>(47 886 566)</b>
<b>Changes in the present value of the employee benefit obligation are as follows:</b>		
Opening balance	(47 886 566)	(48 865 238)
Benefits paid	2 478 937	1 746 931
Net expense recognised in the statement of financial performance	(10 275 232)	(768 259)
Balance at end of Year	<b>(55 682 861)</b>	<b>(47 886 566)</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(2 548 694)	(2 664 467)
Interest cost	(5 614 783)	(5 745 932)
Actuarial (losses)/gains	(2 111 755)	7 642 140
	<b>(10 275 232)</b>	<b>(768 259)</b>
<b>Key assumptions used</b>		
<b>Assumptions used at the reporting date:</b>		
Discount Rate used	12,42%	12,78%
Health Care Cost Inflation Rate	8,40%	8,82%
Net Discount Rate used	3,71%	3,64%

The PA 90-1 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)</b>		
Proportion married for active employees 60% of married and 90% of single in-service members and for pensioners the actual marital status is used.		
Average age of Continuation pensioners at 30 June 2024 was 72.33, with an average employer monthly contribution of R3,842		
Number of active employees: 211		
Average age of active employees as at 30 June 2024 was 45.50, with an average employer monthly contribution of R2,809.		
<b>Defined contribution plan</b>		
The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2024 by One Pangaea expertise & solutions using the Projected Unit Credit Method.		
<b>Long Service Award Provision</b>		
The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.		
The actuarial valuation of the long service awards accrued liability was carried out by One Pangaea expertise & solutions. The assumptions used in the valuation are outlined below:		
<b>Key Assumptions:</b>		
1. Salary increase rate at 5,48% (2023 - 6,32%)		
2. The mortality rate of SA 85 - 90.		
3. Normal retirement age of 65 years.		
4. Assumed retirement age is 62 years.		
5. CPI rate is 4,48% (2023 - 5,32%)		
6. Discount rate used 9,90% (2023 - 10,60%).		
7. Net Discount rate used 4,19% (2023 - 4,03%)		
<b>21. SERVICE CHARGES</b>		
Sale of Electricity	147 440 283	117 419 584
Sale of Water	51 714 816	40 569 574
Sewerage and Sanitation Charges	52 123 931	33 246 237
Refuse Removal	29 697 172	26 624 082
	<u>280 976 202</u>	<u>217 859 477</u>
<b>22. AGENCY SERVICES</b>		
eNatis commission	<u>2 027 534</u>	<u>2 141 061</u>
The municipality is part of a principle-agent arrangements with the department of roads and transport to act as agent on their behalf where the municipalities collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the provincial government.		
<b>23. INTEREST EARNED</b>		
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	<u>17 818 078</u>	<u>14 587 383</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>23. INTEREST EARNED (Continued)</b>		
<b>External Investments:</b>		
Bank Account	68 281	41 577
Investments	1 033 922	604 657
	<b>1 102 203</b>	<b>646 234</b>
<b>24. RENTAL OF FACILITIES AND EQUIPMENT</b>		
<b>Premises</b>		
Rental of Facilities and Equipment	<b>969 552</b>	<b>2 217 010</b>
<b>25. OTHER REVENUE</b>		
Administrative charge	179 746	162 624
Building plan fees	324 074	254 307
Commission received	263 824	253 130
Tender deposits	32 499	85 437
Connections - Electricity	318 071	297 740
Cost recoveries	20 855	34 305
Burial and cemetery fees	95 890	98 955
Insurance proceeds	88 731	196 149
Library fees	9 050	7 163
Unallocated deposits revenue	158 578	1 291 266
Valuation certificates	301 288	357 797
Eskom Wheeling revenue	2 449 632	2 290 403
Sundry income	90 574	175 035
	<b>4 332 812</b>	<b>5 504 311</b>
<b>26. LICENCES AND PERMITS</b>		
Licences and permits	<b>743 429</b>	<b>610 760</b>
Included above are Drivers licence fees and learners licence fees.		
<b>27. PROPERTY RATES</b>		
<b>Rates received</b>		
Residential	16 364 758	15 081 878
Commercial	9 570 319	10 670 367
State	12 543 547	10 155 112
Small holdings and farms	7 039 168	6 415 293
	<b>45 517 792</b>	<b>42 322 650</b>
<b>Valuations</b>		
Residential	2 460 477 421	2 448 830 621
Commercial	672 876 600	737 936 400
State	790 664 260	690 401 260
Municipal	326 690 860	325 584 860
Agricultural	8 642 282 800	8 556 389 300
Exempt	279 053 810	279 053 810
Industrial	89 395 800	71 585 800
Multiple	18 955 100	18 805 100
	<b>13 280 396 651</b>	<b>13 128 587 151</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>27. PROPERTY RATES (Continued)</b>		
The last valuation was done prior to 1 July 2019. This valuation roll is effective for the period 1 July 2019 to 30 June 2024.		
The Dr Beyers Naude Local Municipality has been established in terms of section 12 of the Local Government Municipal Structures Act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Property Act, 2004 (Act 6 of 2004).		
<b>28. FINES, PENALTIES AND FORFEITS</b>		
Traffic fines	<u>1 303 700</u>	<u>491 895</u>
<b>29. GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
Equitable Share	114 382 000	107 059 000
Sarah Baartman - fire grant	1 497 570	3 056 620
DSRAC Library Grant	2 308 000	2 308 000
EPWP integrated grant	1 118 000	1 624 000
Finance management grant	3 100 000	3 100 000
SETA Training Grant	419 585	518 224
Sarah Baartman - Clean up grant	1 100 000	-
Human settlements Grant	95 670	-
Sarah Baartman - Tourism grant	-	217 391
	<u>124 020 825</u>	<u>117 883 235</u>
<b>Capital grants</b>		
Municipal infrastructure grant	22 273 999	33 010 000
Municipal Disaster Relief Grant	3 675 000	-
Water conservation and demand grant	26 250 000	8 939 000
Regional bulk infrastructure grant	20 066 135	41 590 536
	<u>72 265 134</u>	<u>83 539 536</u>
<b>Total Government Grants and Subsidies</b>	<u>196 285 959</u>	<u>201 422 771</u>
<b>National: Equitable Share</b>		
Current year receipts	114 382 000	107 059 000
Transferred to Revenue	<u>(114 382 000)</u>	<u>(107 059 000)</u>
	<u>-</u>	<u>-</u>
In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share grant also provides funding for the municipality to deliver free basic services to poor households and subsidise the cost of administration and other core services for the municipality.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	22 273 999	33 010 000
Conditions met - transferred to Revenue	<u>(22 273 999)</u>	<u>(33 010 000)</u>
	<u>-</u>	<u>-</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>Municipal infrastructure grant</b>		
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.		
<b>DSRAC libraries grant</b>		
Current year receipts	2 308 000	2 308 000
Transferred to Revenue	(2 308 000)	(2 308 000)
	<u>-</u>	<u>-</u>
This grant was received from the Department of Sport, Recreation, Arts and Culture. This grant is used to support the maintenance of the library.		
<b>Regional Bulk Infrastructure Grant</b>		
Current year receipts	20 066 135	41 590 536
Conditions met - transferred to Revenue	(20 066 135)	(41 590 536)
	<u>-</u>	<u>-</u>
RBIG allocation is received from the department of water and sanitation to assist with drought alleviation in the municipality.		
The grant is received in tranches based on the spending by the municipality. The grant is therefore a reimbursement. Due to timing differences in reporting periods, an amount was spent in the prior year and claimed but the receipt of the grant was only in the new year.		
<b>SETA Training Grant</b>		
Current year receipts	419 585	518 224
Conditions met - transferred to Revenue	(419 585)	(518 224)
	<u>-</u>	<u>-</u>
SETA grant is a mandatory funding received from MICT SETA derived from the skills levy paid by the municipality		
<b>Finance Management Grant</b>		
Current year receipts	3 100 000	3 100 000
Conditions met - transferred to Revenue	(3 100 000)	(3 100 000)
	<u>-</u>	<u>-</u>
The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.		
<b>Sarah Baartman district - Fire services Grant</b>		
Current year receipts	1 497 570	3 056 620
Transferred to Revenue	(1 497 570)	(3 056 620)
	<u>-</u>	<u>-</u>

Received from Sarah Baartman DM to part fund the municipality carrying out the district mandate for fire services.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current year receipts	1 118 000	1 624 000
Transferred to Revenue	(1 118 000)	(1 624 000)
	<u>-</u>	<u>-</u>
This grant is used pay stipends for unemployed youths through the EPWP programme.		
<b>Sarah Baartman district - Clean up project</b>		
Current year receipts	1 100 000	-
Transferred to Revenue	(1 100 000)	-
	<u>-</u>	<u>-</u>
Received from Sarah Baartman DM to fund the municipality carrying out specific clean up campaign in community services		
<b>Sarah Baartman district - Tourism Grant</b>		
Current year receipts	-	217 391
Transferred to Revenue	-	(217 391)
	<u>-</u>	<u>-</u>
<b>Water service infrastructure grant</b>		
Current year receipts	26 250 000	8 939 000
Transferred to Revenue	(26 250 000)	(8 939 000)
	<u>-</u>	<u>-</u>
The water services infrastructure grant is allocated to the municipality to assist in drought relief.		
<b>Municipal Disaster Relief Grant - Operational</b>		
Current year receipts	10 085 000	-
Transferred to Revenue	(3 675 000)	-
	<u>6 410 000</u>	<u>-</u>
Grant received from the Department of Cooperative Governance & Traditional Affairs to counter the effects floods in the form of a municipal disaster relief grant		
<b>30. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Eskom Municipal debt relief revenue	133 241 239	-
Donations-in-Kind	12 601 776	3 611 647
Auditor-General debt waive	2 501 985	2 001 787
<b>Public Contributions and Donations</b>	<u>148 345 000</u>	<u>5 613 434</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>30. PUBLIC CONTRIBUTIONS AND DONATIONS (Continued)</b>		
<p>The municipality was approved to participate in the Municipal Debt Relief programme effective 1 December 2023 where debt on 1 April 2023 will be written off over 3 years provided certain conditions are met. The Municipal Debt Relief arrangement changes the substance of the liability to a repayment arrangement. In line with the accounting guidelines of the Office of the Accountant General, this arrangement has a "concessionary element" in that no interest will be charged over the period of the arrangement. This liability, like all others, is recognised at fair value on initial recognition. A similar debt instrument in the market bears interest at 12% per annum. The off-market portion of the liability amounts to R79,412,683</p> <p>Additionally, in line with the circular, an amount of interest charged since 1 April 2023 to the effective date will be waived by Eskom. This amount is R53,828,555</p> <p>The Coke Ville groundwater project donated water harvesting infrastructure to the value of R11,256,389 to assist with the improvement of water shortages in our municipality</p> <p>The Sarah Baartman District Municipality donated 1 rescue vehicle to the value of R1,004,670 and related rescue equipment to the value of R340,715.</p>		
<b>31. EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	126 726 912	120 501 211
Bonus	10 034 538	9 391 577
Medical aid - company contributions	8 332 332	7 954 175
Unemployment insurance fund	917 924	876 458
Skills Development Levy	1 573 862	1 500 087
Pension fund contributions	20 956 252	20 380 497
Travel, Motor Car, Accommodation, Subsistence allowance	3 884 765	3 681 377
Overtime Payments	10 353 056	10 227 606
Housing Benefits and Allowances	388 930	367 044
Other allowances	2 009 458	1 754 047
<b>Total Employee Related Costs</b>	<b>185 178 029</b>	<b>176 634 079</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1 070 921	1 366 793
Contributions to UIF, Medical and Pension Funds	158 400	168 632
Allowances	262 420	282 714
	<b>1 491 741</b>	<b>1 818 139</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	1 009 838	1 103 460
Contributions to UIF, Medical and Pension Funds	14 439	14 976
Allowances	204 936	198 337
	<b>1 229 214</b>	<b>1 316 773</b>
<b>Remuneration of Director - Corporate Services</b>		
Annual Remuneration	826 009	924 217
Contributions to UIF, Medical and Pension Funds	161 011	169 493
Allowances	245 436	241 592
	<b>1 232 456</b>	<b>1 335 302</b>
<b>Remuneration of the Director - Planning and Engineering</b>		
Annual Remuneration	942 766	1 051 868
Contributions to UIF, Medical and Pension Funds	14 301	14 927
Allowances	278 436	258 836
	<b>1 235 503</b>	<b>1 325 631</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>31. EMPLOYEE RELATED COSTS (Continued)</b>		
<b>Remuneration of Director - Community Services *</b>		
Annual Remuneration	677 950	1 007 384
Contributions to UIF, Medical and Pension Funds	10 062	14 835
Allowances	177 187	300 837
	<b>865 199</b>	<b>1 323 056</b>

*\* The employment contract of the Director - Community services was terminated in December 2023*

## 32. REMUNERATION OF COUNCILLORS

Councillor remuneration and allowances	9 973 517	9 415 764
	<b>9 973 517</b>	<b>9 415 764</b>

Councillor	Remuneration	Allowances	Total 2024
Mayor - Cllr W.J Safers	961 828	46 353	1 008 181
Speaker - Cllr C.W Felix	771 014	46 353	817 367
Executive committee - Cllr K.E Kekana	402 450	46 353	448 803
Executive committee - Cllr E.L Look	402 450	46 353	448 803
Executive committee - Cllr E.A Ruiters	402 450	46 353	448 803
MPAC chairperson - Cllr T.L.A Plaatjies *	372 983	46 353	419 336
Cllr A Arries	305 184	46 353	351 537
Cllr D.J Bezuidenhout	305 184	46 353	351 537
Cllr I.J Bolligelo	305 184	46 353	351 537
Cllr H Booysen	305 184	46 353	351 537
Cllr M Deyzel	305 184	42 600	347 784
Cllr Y Frazenburg	305 184	46 353	351 537
Cllr X.N Galada	295 863	46 353	342 216
Cllr K Hendricks	305 184	46 353	351 537
Cllr N.A.V Jacobs	305 184	46 353	351 537
Cllr J.D Lomborg	305 184	46 353	351 537
Cllr A Mfundisi	305 184	46 353	351 537
Cllr A.S Nofemele	305 184	46 353	351 537
Cllr R.L Smith	305 184	46 353	351 537
Cllr T.R Spogter	402 450	46 353	448 803
Cllr A.R Van Heerden	305 184	46 353	351 537
Cllr I.J Van Zyl	303 738	46 353	350 091
Cllr G.J Wiehahn *	280 912	42 436	323 348
Cllr J.J Williams	305 184	46 353	351 537
	<b>8 868 715</b>	<b>1 104 802</b>	<b>9 973 517</b>

\* Served for portion of the year only

Councillor	Remuneration	Allowances	Total 2023
Mayor - Cllr W.J Safers	814 902	42 600	857 502
Speaker - Cllr C.W Felix	718 418	42 600	761 018
Executive committee - Cllr K.E Kekana	378 647	42 600	421 247
Executive committee - Cllr E.L Look	390 109	42 600	432 709
Executive committee - Cllr E.A Ruiters	383 305	42 600	425 905
MPAC chairperson - Cllr T.L.A Plaatjies	308 190	42 600	350 790



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	2024	2023
	R	Restated* R
<b>32. REMUNERATION OF COUNCILLORS (Continued)</b>		
	<b>Remuneration</b>	<b>Allowances</b>
<b>Councillor</b>		<b>Total 2023</b>
Cllr A Arries	290 276	332 876
Cllr P Bees - Upper limits backpay	2 850	2 850
Cllr D.J Bezuidenhout	290 276	332 876
Cllr I.J Bolligelo	287 373	329 973
Cllr A Booysen - Upper limits backpay	3 110	3 110
Cllr H Booysen	289 514	332 114
Cllr E.A Carolus - Upper limits backpay	95	95
Cllr F.D.T De Villiers	28 654	32 354
Cllr M Deyzel	288 767	330 467
Cllr Y Frazenburg	287 373	329 973
Cllr X.N Galada	381 515	424 115
Cllr K Hendricks	287 373	329 973
Cllr K Hoffman - Upper limits backpay	2 850	2 850
Cllr L.G Hoffman - Upper limits backpay	2 437	2 437
Cllr N.A.V Jacobs	287 373	329 973
Cllr R.B Jacobs - Upper limits backpay	2 850	2 850
Cllr L.L Langeveldt - Upper limits backpay	2 850	2 850
Cllr W.Z Le Grange - Upper limits backpay	2 850	2 850
Cllr J.D Lomberg	287 373	329 973
Cllr G.C Mackelina - Upper limits backpay	2 850	2 850
Cllr H Makoba - Upper limits backpay	754	754
Cllr A. Mboneni - Upper limits backpay	2 850	2 850
Cllr A Mfundisi	287 373	329 973
Cllr A.S Nofemele	287 373	329 973
Cllr T.L Nonnies - Upper limits backpay	7 205	7 205
Cllr A.L Nortje - Upper limits backpay	2 850	2 850
Cllr E.V.R Rossouw - Upper limits backpay	2 850	2 850
Cllr B.W Seekoei - Upper limits backpay	2 850	2 850
Cllr R.L Smith	291 296	333 896
Cllr T.R Spogter	364 242	406 842
Cllr T.M Tshona - End of term	2 850	2 850
Cllr A.R Van Heerden	287 373	329 973
Cllr I.J Van Zyl	250 972	288 734
Cllr N.P Vanda - Upper limits backpay	3 136	3 136
Cllr G.J Wiehahn	287 373	329 973
Cllr D Williams - Upper limits backpay	1 595	1 595
Cllr J.J Williams	290 276	332 876
	<b>8 395 403</b>	<b>9 415 764</b>

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

No in-kind benefits have been received by council

## 33. DEBT IMPAIRMENT

Debt impairment	88 665 591	55 952 900
Bad debts written off	22 450 410	29 321 889
	<b>111 116 001</b>	<b>85 274 789</b>

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	2024 R	2023 Restated* R
<b>33. DEBT IMPAIRMENT (Continued)</b>		
Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.		
<b>34. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	59 034 449	60 482 229
Depreciation: Investment Property	41 366	41 366
<b>Total Depreciation and Amortisation</b>	<b>59 075 815</b>	<b>60 523 595</b>
<b>35. IMPAIRMENT LOSS</b>		
Property, plant and equipment	241 985	487 093
<b>36. FINANCE COST</b>		
Long service award	1 226 129	1 260 351
Post retirement medical benefit	4 388 654	4 485 581
Trade and other payables	77 486 045	53 715 680
	<b>83 100 828</b>	<b>59 461 612</b>
Finance cost for Long service and post retirement medical benefit disclosed separately for the net expense of employee benefits liabilities recognised in the statement of financial performance		
<b>37. BULK PURCHASES</b>		
Electricity	134 568 958	112 710 799
	<b>134 568 958</b>	<b>112 710 799</b>
<b>38. OPERATIONAL COST</b>		
Adjustment for provision of landfill sites obligation	5 854 650	5 702 850
Advertising, Publicity and Marketing	185 083	457 235
Audit Fees - External	7 398 129	4 737 709
Bank Charges	764 598	744 009
Cash Shortage	7 110	1 852
Chemicals	5 893 766	4 212 964
Commissions	2 215 493	1 662 924
Communication	107 926	2 181 163
Consumables	11 882 951	9 017 908
Cost recoveries	79 006	81 590
Courier and Delivery Services	916 095	791 179
External Computer Services	3 820 650	3 335 233
Grants and Donations Made	120 000	18 000
Hire charges	642 734	1 407 679
Insurance underwriting	2 121 072	1 987 344
Inventories losses/write-downs	(6 510)	16 645
Settlement fees cost	-	876 390
Levies	476 835	518 585
Motor vehicle expenses	10 691 363	11 302 758
Municipal service charges	6 372 690	8 449 031
Pauper Burials	-	4 000
Professional Bodies, Membership and Subscription	2 066 434	2 023 318
Remuneration to Ward Committees	995 250	975 078

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>38. OPERATIONAL COST (Continued)</b>		
Training and Seminars	691 730	850 553
Travel and subsistence	2 870 284	2 649 543
Uniform and Protective Clothing	950 244	358 568
Workmen's Compensation Fund	1 099 411	985 134
	<b>68 216 994</b>	<b>65 349 242</b>

### 39. CONTRACTED SERVICES

Consultants and professional services	4 457 875	6 713 636
Outsourced services	67 147 548	41 996 739
	<b>71 605 423</b>	<b>48 710 375</b>

### REPAIRS AND MAINTENANCE

Repairs and maintenance is removed as a line item from the statement of financial performance in line with GRAP and implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:

The following expenditure relating to repairs and maintenance projects were identified by the municipality:

Contracted services	<b>6 590 032</b>	<b>4 081 981</b>
Outsourced service - Technical	6 590 032	4 081 981
Operational cost	<b>9 422 668</b>	<b>5 525 846</b>
Consumables	9 129 381	5 092 648
IT maintenance	293 286	433 198
<b>Total</b>	<b>16 012 699</b>	<b>9 607 827</b>

GRAP 17 requires disclosure of repairs and maintenance per asset class:

Buildings	1 766 643	256 191
Transport assets	2 348 314	1 801 762
Other assets	11 330 694	491 143
Landfill sites	262 410	129 000
Community assets	-	67 109
Infrastructure assets	304 639	6 862 622
	<b>16 012 699</b>	<b>9 607 827</b>

### 40. (GAINS)/LOSS ON DISPOSAL OF ASSETS

(Gains)/Loss on disposal of property, plant and equipment	(2 001 219)	1 889 632
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The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

### 41. OPERATING LEASES

Furniture and Office Equipment	4 875 223	3 295 540
Transport Assets	8 937 815	5 650 271
	<b>13 813 038</b>	<b>8 945 811</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>41. OPERATING LEASES (Continued)</b>		
<u>Lease of voltage optimization System</u>		
The Municipality is a lessee as it has entered into operating leases for the use of voltage optimization equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a three year term from 1 October 2021 to 30 September 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R68 700 (2023: R274 800) 2 – 5 years inclusive: R0 (2023: R68 700) over 5 years: R0 (2023: R0)		
<u>Lease of photocopiers</u>		
The Municipality is a lessee as it has entered into operating leases for the use of photocopiers and office equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a two year term from 1 November 2022 to 30 October 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R2 577 360 (2023: R2 395 200) 2 – 5 years inclusive: R859 120 (2023: R3 193 600) over 5 years: R0 (2023: R0)		
<u>Lease of telephones system</u>		
The Municipality is a lessee as it has entered into operating leases for the use of telephones with Sky Metro. These leases were negotiated for a three year term from 1 November 2022 to 30 October 2025, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R661 534 (2023: R661 534) and 2 – 5 years inclusive: R220 511 (2023: R882 045) over 5 years: R0 (2023: R0)		
<u>Lease of vehicles</u>		
The Municipality is a lessee as it has entered into operating leases for the use of vehicles with Sky Metro. These leases were negotiated for a three year term from 4 November 2023 to 30 October 2026, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R8 276 184 (2023: R0) and 2 – 5 years inclusive: R11 034 912 (2023: R0) over 5 years: R0 (2023: R0)		
At the Reporting Date the following minimum lease payments were payable under Non-cancellable operating leases for Property, Plant and Equipment, which are payable as follows:		
Payable within 1 year	11 583 778	3 331 534
Payable within 2 to 5 years	12 114 543	4 144 345
	<u>23 698 321</u>	<u>7 475 879</u>
<i>Prior year non-cancellable lease disclosure</i> has been restated. Refer to prior period errors note for information.		
<b>42. ACTUARIAL (LOSSES) / GAINS</b>		
Actuarial (losses) / gains	(2 111 755)	7 642 140
	<u>(2 111 755)</u>	<u>7 642 140</u>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>43. CASH GENERATED BY OPERATIONS</b>		
Deficit for the Year	(37 578 862)	(128 343 665)
<b>Adjustment for:</b>		
Depreciation and Amortisation	59 075 815	60 523 595
Losses / (Gains) on Disposal of Property, Plant and Equipment	(2 001 219)	1 889 632
Debt impairment	111 116 001	85 274 789
Finance cost Other financial liabilities	1 673 167	3 309 918
Employee benefit obligation - Current service cost	2 548 694	2 664 467
Employee benefit obligation - Current interest cost	5 614 783	5 745 932
Employee benefit obligation - Subsidies paid	(2 478 937)	(1 746 931)
Employee benefit obligation - Actuarial gains	2 111 755	(7 642 140)
Non-cash movement to property, plant and equipment	1 223 205	(904 871)
Non-cash movement in employee related costs	778 601	2 061 212
Provision non cash movement	3 981 830	5 702 850
Public contributions and donations	(12 601 776)	(3 609 517)
Municipal Debt Relief Revenue	(133 241 239)	-
Impairment loss	241 985	487 093
<b>Operating surplus before working capital changes</b>	<b>463 803</b>	<b>25 412 364</b>
<b>Changes in working capital:</b>		
Decrease/(Increase) in Inventories	(4 899 633)	(365 820)
Decrease/(Increase) in Receivables Exchange	(115 070 346)	(72 416 046)
Decrease/(Increase) in Statutory Receivables Non Exchange	(5 877 915)	(7 812 661)
Decrease/(Increase) in Other receivables	(4 756 133)	(513 164)
Increase/(Decrease) in Payables Exchange	177 807 333	156 993 568
Increase/(Decrease) in Payables Non Exchange	(1 350 653)	3 942 085
Decrease/(Increase) in VAT Accrual Receivable	(9 170 249)	(7 384 799)
Increase/(Decrease) in Unspent conditional grants Liability	6 410 000	-
Increase/(Decrease) in Consumer Deposits	35 446	84 939
<b>Cash generated by Operations</b>	<b>43 591 652</b>	<b>97 940 466</b>

### 44. PRIOR PERIOD ERRORS

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected retrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

STATEMENT OF FINANCIAL POSITION	Previously reported	Correction of error	Restated 2023
<b>Current Assets</b>			
VAT Accrual Receivable	29 876 388	80 669	29 957 057
Other receivables	6 706 804	(5 179 993)	1 526 811
Receivables from Exchange transactions	15 195 079	5 179 993	20 375 072
<b>Current Liabilities</b>			
Payables from Exchange Transactions	632 154 937	9 219 346	641 374 283
Payables from Non-exchange Transactions	6 441 316	(165 193)	6 276 123
<b>TOTAL ASSETS</b>	<b>1 193 831 521</b>	<b>80 669</b>	<b>1 193 912 190</b>
<b>TOTAL LIABILITIES</b>	<b>732 854 032</b>	<b>9 054 153</b>	<b>741 908 185</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023	
	R	Restated* R	
44. PRIOR PERIOD ERRORS (Continued)			
STATEMENT OF FINANCIAL PERFORMANCE	Previously reported	Correction of error	Restated 2023
Expenditure			
Finance cost	(57 371 140)	(2 090 473)	(59 461 613)
Operational Cost	(64 745 679)	(603 563)	(65 349 242)
Contracted Services	(48 655 675)	(54 700)	(48 710 375)
ACCUMULATED SURPLUS adjustments			
Opening balance as previously reported	(586 572 419)	-	(586 572 419)
Prior period errors impacting opening balance:			
Payables from Exchange Transactions	-	6 389 942	6 389 942
Payables from Non Exchange Transactions	-	(165 193)	(165 193)
Balance at 01 July 2022 as restated	(586 572 419)	6 224 749	(580 347 670)
Deficit for the year	125 594 930	-	125 594 930
Prior period errors impacting deficit for the year:			
Finance cost	-	2 090 473	2 090 473
Contracted services	-	54 700	54 700
Operational cost	-	603 563	603 563
Balance at 01 July 2023 as restated	(460 977 489)	8 973 484	(452 004 005)

## DISCLOSURE PRIOR PERIOD ERROR ADJUSTMENTS

Non-cancellable lease disclosure	4 639 656	2 836 223	7 475 879
Fruitless and Wasteful expenditure	111 927 968	2 090 472	114 018 440
Financial liabilities (note 50)	625 800 067	(50 789 443)	575 010 624

## DESCRIPTION OF ERRORS

### Other Receivables

The classification of water and electricity accrual at year end was incorrectly disclosed as other receivables where it should be disclosed as receivables from exchange transactions. This correction reclassifies the balance to the correct financial statement line item. The corresponding balance impacted is therefore the Receivables from Exchange Transactions.

### Payables from Non Exchange Transactions

A balance within the payables from non exchange transactions was reviewed from non movement over a number of years and written off due to prescription of debt and lack of claims

### Payables from Exchange Transactions

Various invoices related to the 2023 financial year were not presented to creditors departments for processing and for purposes of raising an accrual for work done not yet invoiced. A monthly reconciliation was done subsequently on the accrual movement where a list of invoices were identified accordingly.

Other financial statement line items impacted by this error:

- VAT receivable	- Finance cost	- Contracted services
- Operational cost	- Cash flow statement	- Fruitless and wasteful expenditure

### Restatement of disclosure in the notes

Non cancellable leases: The restatement in the 2023 disclosure is due to errors noted in the duration of the printers/photocopiers lease which was incorrectly stated as 24 months instead of 36 per tender and SLA.

Financial liabilities: The 2023 balance for financial liabilities included inappropriate balances "third party payables" that are not as a result of a contracted obligation. This restatement eliminates the effect of these accruals from financial liabilities.

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	2024 R	2023 Restated* R
<b>45. COMMITMENTS</b>		
<b>Authorised capital expenditure</b>		
Already contracted for but not provided for		
<b>Property, plant and equipment</b>	<b>79 181 772</b>	<b>70 547 001</b>
<b>Total Capital Commitments</b>	<b>79 181 772</b>	<b>70 547 001</b>

The committed expenditure relates to Infrastructure and will be financed by Government Grants and own resources

## 46. UNAUTHORISED EXPENDITURE

### Reconciliation of Unauthorised Expenditure:

Opening balance	622 642 629	516 866 033
Add: Unauthorised Expenditure current year	98 023 159	105 776 596
Less: Approved by Council or condoned	(516 866 033)	-
<b>Unauthorised Expenditure awaiting authorisation</b>	<b>203 799 755</b>	<b>622 642 629</b>

The unauthorised expenditure additions are primarily related to the overspending of budget votes as defined in the MFMA:

<b>Budgeted votes exceeded:-</b>	<b>Amount</b>	<b>Status</b>
Vote 2 - MUNICIPAL MANAGER (11: IE)	711 976	To be investigated and considered by council
Vote 4 - CORPORATE SERVICES: COMM SERV	19 658 921	To be investigated and considered by council
Vote 6 - FINANCIAL SERVICES	7 660 962	To be investigated and considered by council
Vote 7 - TECHNICAL SERVICES: ENGINEERING	69 991 301	To be investigated and considered by council
	<b>98 023 159</b>	

## 47. FRUITLESS AND WASTEFUL EXPENDITURE

### Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	114 018 441	63 612 675
Add: Fruitless and Wasteful Expenditure current year	53 492 236	50 405 766
Less: Approved by Council or condoned	(38 876 214)	-
<b>Fruitless and wasteful expenditure awaiting authorisation</b>	<b>128 634 462</b>	<b>114 018 441</b>

### Details of Fruitless and Wasteful Expenditure

Interest charged by Telkom	-	15 538
Interest charged by Amatola water board	56 426	-
Interest charged by Auditor General	286 686	403 083
Interest Charged by Eskom	42 645 175	40 754 690
SARS penalties and interest	4 717 571	5 475 217
Interest charged by the department of water and sanitation	311 483	159 242
Interest charged by Workmans compensation fund	768 456	514 542
Interest and Penalties charged by Pension Funds	4 632 369	3 073 483
Interest charged to LA Health	62 908	-
Interest charged by other	11 161	9 971
	<b>53 492 236</b>	<b>50 405 766</b>

## 48. IRREGULAR EXPENDITURE

### Reconciliation of Irregular Expenditure:

Opening balance	465 058 814	339 240 923
Add: Irregular Expenditure current year	61 772 835	125 817 891
Less: Written off by Council	(358 011 747)	-
<b>Irregular Expenditure awaiting authorisation</b>	<b>168 819 902</b>	<b>465 058 814</b>

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2024	2023
R	Restated* R

### 49. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Goods and services to the value of R14 090 816 (2023 - R32 976 114) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

#### Incidents

Deviations due to Emergency procurement	4 461 467	4 966 027
Deviations due to Sole supplier procurement	491 066	2 837 792
Deviations due to impracticality of following SCM processes	9 138 283	25 172 295
	<u>14 090 816</u>	<u>32 976 114</u>

### 50. RELATED PARTIES

#### Relationships

Mayor		Cllr W.J Safers
Speaker		Cllr C Felix
Executive committee		Cllr E.A Ruiters
Executive committee		Cllr E.L Looock
Executive committee		Cllr K.E Kekana
MPAC chairperson		
Councillor	Cllr A Arries	Cllr T Spogter
Councillor	Cllr D.J Bezuidenhout	Cllr J.D Lomborg
Councillor	Cllr I.J Bolligelo	Cllr A Mfundisi-Koeberg
Councillor	Cllr H Booysen	Cllr A.S Nofemele
Councillor	Cllr I Van Zyl	Cllr T.L.A Plaatjies
Councillor	Cllr M Deyssel	Cllr R.L Smith
Councillor	Cllr Y.D Frazenburg	Cllr A.R Van Heerden
Councillor	Cllr K Hendricks	Cllr J.J Arries
Councillor	Cllr N.A.V Jacobs	Cllr J.J Williams
Councillor	Cllr X.N Galada	
Municipal manager		Dr. E.M Rankwana
Director of engineering and planning		B Arends
Chief financial officer		J. Joubert
Director of Corporate Services		Z. Kali
Acting Director of Community Services		M.J Pietersen

The mayor and councillors only received remuneration as set out in Note 32. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 31. Rates and municipal services were in line with other customers.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.



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	2024	2023
	R	Restated* R

### 50. RELATED PARTIES (Continued)

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality did not have any transactions with related parties listed during the financial year.

### 51. FINANCIAL INSTRUMENTS

#### 51.1 Classification

The Municipality recognised the following financial instruments:

##### Financial Assets

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Cash and Cash Equivalents	9 366 017	12 205 934
Receivables from Exchange transactions	29 903 518	20 375 071
Other receivables	5 865 736	1 526 811
<b>Total</b>	<b>45 135 270</b>	<b>34 107 816</b>

##### Financial Liabilities

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Other financial liabilities	Amortized cost	1 049 339	12 234 891
Payables from exchange transactions	Amortized cost	264 921 365	562 775 733
Municipal Debt Relief financial liabilities	Fair value	341 186 970	-
<b>Total</b>		<b>607 157 674</b>	<b>575 010 624</b>

### 51.2 Risk management

#### Liquidity risk

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

The municipality aims to maintain flexibility in funding by keeping committed credit lines available. The municipality manages a budget which is updated regularly and reported to the municipal management and the council.

The table below analyses the municipalities financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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.

At 30 June 2024	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	264 921 365	-	264 921 365
Other financial liabilities	1 049 339	-	1 049 339
Municipal Debt Relief financial liabilities	126 316 271	214 870 699	341 186 970

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

		2024	2023
		R	Restated* R
51. FINANCIAL INSTRUMENTS (Continued)			
51.2 Risk management (Continued)			
At 30 June 2023	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	562 775 733	-	562 775 733
Other financial liabilities	10 969 328	1 265 563	12 234 891
Municipal Debt Relief financial liabilities	-	-	-

Liquidity risk is mainly concentrated on the trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

### 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

Cash and cash equivalents	9 366 017	12 205 934
Receivables from exchange transactions	29 903 518	20 375 071

### Market risk

### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

### Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The financial instruments of the Municipality is not directly exposed to any currency risk.

## 52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

### 52.1 Contributions to organised local government - SALGA

Opening Balance	6 791 076	6 526 619
Current year subscription/fee	1 957 811	1 990 457
Amount Paid - current year	(2 965 000)	(1 726 000)
<b>Balance Unpaid (included in Creditors)</b>	<b>5 783 887</b>	<b>6 791 076</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023	
	R	Restated* R	
52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
52.2 Audit Fees			
Opening Balance	2 203 073	4 585 136	
Current year Audit Fee	8 470 548	7 547 749	
Credit note and adjustments	(2 590 597)	(3 998 356)	
Amount Paid - current year	(6 621 576)	(5 931 456)	
Balance Unpaid (included in Creditors)	1 461 447	2 203 073	
52.3 VAT			
The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.			
52.4 PAYE, Skills Development Levy and UIF			
Opening Balance	39 379 499	20 897 508	
Current year Payroll Deductions	27 978 875	25 804 586	
Amount Paid - current year	(30 355 062)	(11 857 240)	
Adjustment	6 727 374	4 534 645	
Balance Unpaid (included in Creditors)	43 730 687	39 379 499	
52.5 Pension and Medical Aid Deductions			
Opening Balance	37 788 500	35 919 775	
Current year Payroll Deductions and Council Contributions	41 936 339	38 896 842	
Amount Paid - current year	(54 894 690)	(39 801 990)	
Adjustment	1 336 777	2 773 873	
Balance Unpaid (included in Creditors)	26 166 926	37 788 500	
52.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2024			
	Outstanding up to 90 days	Outstanding more than 90 days	Total
30 June 2024			
Cllr D Bezuidenhout	6 589	8 589	15 178
Cllr I Bolligelo	1 905	20 390	22 296
Cllr Y Frazenburg	1 750	26 704	28 454
Cllr X Galada	1 830	49 063	50 893
Cllr K Hendricks	1 846	1 456	3 302
Cllr N Jacobs	3 076	3 382	6 458
Cllr J Lomborg	1 921	797	2 718
Cllr J.J Williams	681	5 135	5 816
Cllr A Arries	1 846	35 542	37 388
Cllr K Kekana	2 229	14 165	16 395
Cllr E Ruiters	1 550	28 765	30 315
Cllr R Smith	2 096	16 602	18 698
Cllr A Nofemele	4 336	6 145	10 481
	31 655	216 735	248 390

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R	
52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
52.6 Councillor's arrear Consumer Accounts (Continued)			
	Outstanding up to 90 days	Outstanding more than 90 days	Total
30 June 2023			
Cllr I Bolligelo	1 269	12 878	14 147
Cllr Y Frazenburg	1 403	15 481	16 884
Cllr X Galada	2 463	30 066	32 529
Cllr N Jacobs	1 844	694	2 539
Cllr J Lomberg	2 211	8 768	10 979
Cllr A Mfundisi	613	8 625	9 238
Cllr J.J Williams	1 163	113	1 276
Cllr A Arries	1 470	28 340	29 810
Cllr E Ruiters	1 214	22 182	23 396
Cllr R Smith	1 622	6 644	8 266
Cllr A Nofemele	946	183	1 129
	16 219	133 975	150 194

### 53. DISTRIBUTION LOSSES - ELECTRICITY

Electricity units (kWh) purchased from Eskom	71 063 745	69 200 230
Electricity units (kWh) sold to customers	(65 589 107)	(63 087 801)
	<b>5 474 638</b>	<b>6 112 429</b>

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters/illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Electricity losses for the financial year is 7,7% (2023 - 8,8%) of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2024 is R7 754 985 (2023 - R7 738 984)

### 54. DISTRIBUTION LOSSES - WATER

Balance at the beginning of the year in reservoirs and pipes	35 836	25 080
Water Units produced	4 839 029	4 603 119
Water Units sold	(2 654 068)	(2 611 723)
Balance at the end of the year in reservoirs and pipes	(21 680)	(35 836)
<b>Non revenue water</b>	<b>2 199 117</b>	<b>1 980 640</b>

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Water losses for the financial period amounted to 45,15% (2023 - 43,27%) of water produced. The Rand value of the water losses for the period ending 30 June 2024 is R53,334,903 (2023 - R43,178,048).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 Restated* R
<b>55. CONTINGENCIES</b>		
Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain:		
<u>Harold Stephanus Kruger</u> - Mr Kruger instituted a claim for damages suffered resulting from injuries caused after he allegedly fell into a ditch along a sidewalk.		
<u>Eskom</u> - The Municipality is in dispute with Eskom for charging much higher tariffs than allowed and for years not reimbursing the Municipality for the utilization of it's electrical network to supply Eskom customers in Municipal area. An amount was offered by Eskom however the municipality considers the amount to be much lower than the true amount which cannot be determined at this stage. The matter is outstanding.		
<u>Ilinge Labantu Training Institute CC</u> - The plaintiff claims outstanding money for various training services rendered.		
<u>Bay Projects Coastal (Pty) Ltd</u> - Served formal demand on Bay Projects for repayment of R1,269,768. Legal costs anticipated with uncertainty on the amount when it goes to trial		
<u>Andries Oelofse</u> - Mr Oelofse instituted legal action for damages resulting from injuries he suffered after allegedly falling on the pavement in Jansenville.		
<u>R Adams</u> - The applicant is claiming for injuries and damages suffered resulting from her son who fell from an approximately 3 metre high pedestrian wall at Hope Street Graaff-Reinet.		
<u>SE Zaayman</u> - Plaintiff is suing for damages resulting from a motor vehicle collision with a Mun vehicle driven by a Mun employee.		
<u>L Meshilinie</u> - A bargaining council decision to reinstate an employee that was dismissed by the municipality may have financial implication for remuneration and benefits lost. An application to review the sanction is in progress.		
<u>SB Payne</u> - The vehicle of the applicant collided with a municipal vehicle and claim was instituted against the municipality.		
<b>The table below summarises the potential financial impact of the law suits:</b>		
<u>Contingent Assets</u>		
Bay Projects Coastal (Pty) Ltd	1 269 768	1 269 768
	<b>1 269 768</b>	<b>1 269 768</b>
<u>Contingent Liabilities</u>		
Eco Car Hire CC *	-	541 400
Ilinge Labantu Training Institute CC	28 000	-
Harold Stephanus Kruger	400 000	400 000
EJ Green *	-	45 319
Lereece-Charmane Freeks *	-	39 919
Andries Oelofse	314 747	314 747
SL Mvunelwa *	-	825 256
R Adams	5 000 000	-
SE Zaayman	31 036	-
SB Payne	202 825	-
	<b>5 976 608</b>	<b>2 166 641</b>

\* Matters which has been resolved, finalized or no longer applies

## 56. EVENTS AFTER REPORTING DATE

No events occurred post year end that requires specific disclosure

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

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	2024	2023
	R	Restated* R
<b>57. GOING CONCERN</b>		
<p>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.</p>		
<p>The followings elements of the financial statements are noted which casts significant doubt on the ability of the municipality's going concern status</p>		
<p>The current assets of the municipality of R97 727 277 (2023 - R71 908 918) are exceeded by the current liabilities of R491 617 111 (2023 - R668 355 643). The net current liabilities amounts to R393 889 835 (2023 - R596 446 725) and results in a current ratio of 0,20:1 (2023 - 0,11:1). The position casts some doubt on the ability to continue as a going concern.</p>		
<p>The municipality incurred a deficit of R37 578 862 during the 2024 financial year and is a decrease in the deficit from the 2023 financial year of R128 343 665. This is mainly attributable to the municipal debt relief revenue in 2024.</p>		
<p>However, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these being the significant grants received by the municipality to execute it's legislative service to the community and the accounting officers continued efforts to procure funding for the ongoing operations for the municipality from national and provincial government. Council approved a financial recovery plan and business plan which is monitored frequently.</p>		