



Tokologo Local Municipality  
(Registration number FS182)  
Annual Financial Statements  
for the year ended 30 June, 2024

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## General Information

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|                                                    |                                                                                                                                                                                                                                                       |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Legal form of entity</b>                        | Category B Local Municipality as defined by the Municipal Structures Act (Act no.117)                                                                                                                                                                 |
| <b>Nature of business and principal activities</b> | A Local Municipality performing the functions as set out in the Constitution (Act no.105 of 1996)                                                                                                                                                     |
| <b>Mayoral committee</b>                           |                                                                                                                                                                                                                                                       |
| Executive Mayor                                    | Mayor BE Seakge<br>Speaker MM Gaebee<br>Chief Whip GK Magomo                                                                                                                                                                                          |
| Councillors                                        | Councillor TS Tebang<br>Councillor LG Setlhare<br>Councillor TS Maraman<br>Councillor T Molale<br>Councillor J Steenkamp<br>Councillor RM Monyane<br>Councillor L Letshabo<br>Councillor SH Maqhubu<br>Councillor WA Weich<br>Councillor J Groenewalt |
| <b>Grading of local authority</b>                  | Low Capacity (Grade 2)                                                                                                                                                                                                                                |
| <b>Accounting Officer</b>                          | MA Sehloho (Acting Municipal Manager) - July to October 2023 and June 2024<br>TD Matile (Acting Municipal Manager) - November 2023 to May 2024                                                                                                        |
| <b>Chief Finance Officer (CFO)</b>                 | TD Matile<br>KM Mokomela (Acting CFO) - November 2023 to May 2024                                                                                                                                                                                     |
| <b>Registered office</b>                           | Voortrekker Street<br>Market Square<br>Boshof<br>8340                                                                                                                                                                                                 |
| <b>Business address</b>                            | Voortrekker Street<br>Market Square<br>Boshof<br>8340                                                                                                                                                                                                 |
| <b>Postal address</b>                              | Private Bag X46<br>Boshof<br>8340                                                                                                                                                                                                                     |
| <b>Bankers</b>                                     | First National Bank                                                                                                                                                                                                                                   |
| <b>Auditors</b>                                    | The Auditor-General of South Africa                                                                                                                                                                                                                   |
| <b>Attorneys</b>                                   | Kruger Venter                                                                                                                                                                                                                                         |

# Tokologo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2024

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### Abbreviations used:

|       |                                                  |
|-------|--------------------------------------------------|
| GRAP  | Generally Recognised Accounting Practice         |
| DoRA  | Division of Revenue Act no. 2 of 2013            |
| IMFO  | Institute of Municipal Finance Officers          |
| MFMA  | Municipal Finance Management Act                 |
| mSCOA | Municipal Standard Chart of Accounts             |
| MIG   | Municipal Infrastructure Grant (Previously CMIP) |

## **Tokologo Local Municipality**

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

### **Accounting Officer's Responsibilities and Approval**

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

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

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

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

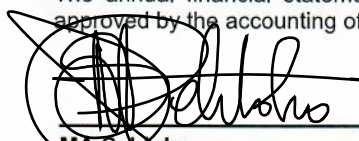
The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

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

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

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

The annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2024 and were signed on its behalf by:

  
\_\_\_\_\_  
**MA Sekiso**  
**Acting Municipal Manager**  
**31 August 2024**

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June, 2024.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in a local municipality performing the functions as set out in the constitution (act no.105 of 1996) and operates principally in South Africa.

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

Net surplus of the municipality was 156,652,487 (2023: deficit 38,018,201).

### 2. Going concern

We draw attention to the fact that at 30 June, 2024, the municipality had an accumulated surplus of 856,799,562 and that the municipality's total assets exceed its liabilities by 856,799,562.

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

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

### 3. Accounting Officers' interest in contracts

The accounting officer had no interest in any contracts.

### 4. Accounting policies

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

### 5. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year.

### 6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

|            |             |
|------------|-------------|
| Name       | Nationality |
| MA Sehloho | RSA         |
| LC Tlhokwe | RSA         |

### 7. Auditors

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

### 8. Non-compliance with applicable legislation

The municipality did not pay all its creditors within 30 days, as required by section 65(2)(e) of the MFMA due to financial constraints.

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Financial Position as at 30 June, 2024

| Figures in Rand                                              | Note(s) | 2024                 | 2023<br>Restated*    |
|--------------------------------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                                                |         |                      |                      |
| <b>Current Assets</b>                                        |         |                      |                      |
| Inventories                                                  | 3       | 41,278               | 41,278               |
| Operating lease receivable                                   | 4       | 6,488                | 6,488                |
| Receivables from exchange transactions                       | 5       | 1,183,776            | 1,088,691            |
| Statutory receivables from non-exchange transactions         | 6       | 12,526,788           | 5,698,935            |
| VAT receivable                                               | 7       | 88,205,686           | 55,364,472           |
| Consumer receivables from exchange transactions              | 8       | 80,500,365           | 6,656,407            |
| Government grants receivables                                | 9       | -                    | 3,003,512            |
| Cash and cash equivalents                                    | 10      | 781,281              | 2,989,713            |
|                                                              |         | <b>183,245,662</b>   | <b>74,849,496</b>    |
| <b>Non-Current Assets</b>                                    |         |                      |                      |
| Biological assets that form part of an agricultural activity | 11      | 2,090,700            | 1,769,800            |
| Investment property                                          | 12      | 39,006,178           | 39,006,178           |
| Property, plant and equipment                                | 13      | 1,178,333,583        | 1,056,443,089        |
| Intangible assets                                            | 14      | 52,653               | 52,668               |
| Heritage assets                                              | 15      | 37,000               | 37,000               |
|                                                              |         | <b>1,219,520,114</b> | <b>1,097,308,735</b> |
| <b>Total Assets</b>                                          |         | <b>1,402,765,776</b> | <b>1,172,158,231</b> |
| <b>Liabilities</b>                                           |         |                      |                      |
| <b>Current Liabilities</b>                                   |         |                      |                      |
| Finance lease obligation                                     | 16      | 261,782              | 700,415              |
| Payables from exchange transactions                          | 17      | 488,238,689          | 419,530,877          |
| Consumer deposits                                            | 18      | 536,335              | 537,558              |
| Employee benefit obligation                                  | 19      | 439,000              | 642,000              |
| Unspent conditional grants and receipts                      | 20      | 6,960,255            | 6,734,858            |
| Unspent conditional grants to be surrendered                 |         | -                    | 1,929,227            |
|                                                              |         | <b>496,436,061</b>   | <b>430,074,935</b>   |
| <b>Non-Current Liabilities</b>                               |         |                      |                      |
| Finance lease obligation                                     | 16      | 454,796              | 2,138                |
| Employee benefit obligation                                  | 19      | 3,080,000            | 2,491,000            |
| Provisions                                                   | 21      | 45,995,357           | 39,443,067           |
|                                                              |         | <b>49,530,153</b>    | <b>41,936,205</b>    |
| <b>Total Liabilities</b>                                     |         | <b>545,966,214</b>   | <b>472,011,140</b>   |
| <b>Net Assets</b>                                            |         | <b>856,799,562</b>   | <b>700,147,091</b>   |
| Accumulated surplus                                          |         | 856,799,562          | 700,147,091          |
| <b>Total Net Assets</b>                                      |         | <b>856,799,562</b>   | <b>700,147,091</b>   |

\* See Note 47

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Financial Performance

| Figures in Rand                                       | Note(s) | 2024                 | 2023<br>Restated*    |
|-------------------------------------------------------|---------|----------------------|----------------------|
| <b>Revenue</b>                                        |         |                      |                      |
| <b>Revenue from exchange transactions</b>             |         |                      |                      |
| Service charges                                       | 22      | 52,322,594           | 57,313,224           |
| Rental of facilities and equipment                    | 23      | 67,578               | 61,485               |
| Interest received (trading)                           | 24      | 39,081,470           | 28,982,958           |
| Other income                                          | 25      | 492,521              | 1,138,401            |
| Interest received - investment                        | 26      | 674,742              | 191,066              |
| <b>Total revenue from exchange transactions</b>       |         | <b>92,638,905</b>    | <b>87,687,134</b>    |
| <b>Revenue from non-exchange transactions</b>         |         |                      |                      |
| <b>Taxation revenue</b>                               |         |                      |                      |
| Property rates                                        | 27      | 19,165,612           | 16,297,948           |
| Interest received                                     | 28      | 14,523,333           | 13,515,386           |
| <b>Transfer revenue</b>                               |         |                      |                      |
| Government grants & subsidies                         | 29      | 329,126,257          | 184,026,640          |
| Fines, Penalties and Forfeits                         | 30      | -                    | 21,200               |
| <b>Total revenue from non-exchange transactions</b>   |         | <b>362,815,202</b>   | <b>213,861,174</b>   |
| <b>Total revenue</b>                                  | 31      | <b>455,454,107</b>   | <b>301,548,308</b>   |
| <b>Expenditure</b>                                    |         |                      |                      |
| Employee related costs                                | 32      | (55,838,903)         | (49,379,220)         |
| Remuneration of councillors                           | 33      | (6,703,017)          | (5,840,589)          |
| Depreciation and amortisation                         | 34      | (34,464,362)         | (37,368,537)         |
| Finance costs                                         | 36      | (33,062,640)         | (31,641,348)         |
| Lease rentals on operating lease                      |         | (599,846)            | (76,586)             |
| Debt Impairment                                       | 37      | (16,769,166)         | (87,968,065)         |
| Bad debts written off                                 |         | -                    | (7,333)              |
| Bulk purchases                                        | 38      | (36,559,497)         | (36,802,951)         |
| Contracted services                                   | 39      | (6,463,225)          | (764,981)            |
| General Expenses                                      | 40      | (100,090,323)        | (67,285,530)         |
| <b>Total expenditure</b>                              |         | <b>(290,550,979)</b> | <b>(317,135,140)</b> |
| <b>Operating surplus (deficit)</b>                    |         | <b>164,903,128</b>   | <b>(15,586,832)</b>  |
| Loss / (Profit) on disposal of assets and liabilities | 41      | (977,633)            | (11,033,993)         |
| Fair value adjustments                                | 42      | 296,000              | (2,804,500)          |
| Actuarial gains/losses                                | 19      | 59,075               | 2,532,693            |
| Impairment loss                                       | 35      | (7,628,083)          | (11,125,569)         |
|                                                       |         | <b>(8,250,641)</b>   | <b>(22,431,369)</b>  |
| <b>Surplus (deficit) for the year</b>                 |         | <b>156,652,487</b>   | <b>(38,018,201)</b>  |

\* See Note 47

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated<br>surplus / deficit | Total net<br>assets |
|---------------------------------------------|----------------------------------|---------------------|
| Opening balance as previously reported      | 729,393,264                      | 729,393,264         |
| Adjustments                                 |                                  |                     |
| Correction of errors 47                     | 8,772,028                        | 8,772,028           |
| <b>Balance at 1 July, 2022 as restated*</b> | <b>738,165,292</b>               | <b>738,165,292</b>  |
| Changes in net assets                       |                                  |                     |
| Surplus for the year                        | (38,018,201)                     | (38,018,201)        |
| Total changes                               | (38,018,201)                     | (38,018,201)        |
| <b>Restated* Balance at 1 July, 2023</b>    | <b>700,147,075</b>               | <b>700,147,075</b>  |
| Changes in net assets                       |                                  |                     |
| Surplus for the year                        | 156,652,487                      | 156,652,487         |
| Total changes                               | 156,652,487                      | 156,652,487         |
| <b>Balance at 30 June, 2024</b>             | <b>856,799,562</b>               | <b>856,799,562</b>  |

Note(s)

\* See Note 47

# Cash Flow Statement

| Figures in Rand                                             | Note(s)   | 2024               | 2023<br>Restated*  |
|-------------------------------------------------------------|-----------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |           |                    |                    |
| <b>Receipts</b>                                             |           |                    |                    |
| Sale of goods and services                                  |           | 34,529,512         | 26,642,865         |
| Grants                                                      |           | 330,425,938        | 185,827,987        |
| Interest income                                             |           | 674,742            | 191,066            |
|                                                             |           | 365,630,192        | 212,661,918        |
| <b>Payments</b>                                             |           |                    |                    |
| Employee costs                                              |           | (62,535,845)       | (55,195,116)       |
| Suppliers                                                   |           | (150,810,676)      | (47,461,641)       |
| Finance costs                                               |           | (162,853)          | (367,606)          |
|                                                             |           | (213,509,374)      | (103,024,363)      |
| <b>Net cash flows from operating activities</b>             | <b>44</b> | <b>152,120,818</b> | <b>109,637,555</b> |
| <b>Cash flows from investing activities</b>                 |           |                    |                    |
| Purchase of property, plant and equipment                   | 13        | (154,343,275)      | (106,279,480)      |
| <b>Cash flows from financing activities</b>                 |           |                    |                    |
| Finance lease payments                                      |           | 14,025             | (696,703)          |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>(2,208,432)</b> | <b>2,661,372</b>   |
| Cash and cash equivalents at the beginning of the year      |           | 2,989,713          | 328,341            |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>10</b> | <b>781,281</b>     | <b>2,989,713</b>   |

The accounting policies on pages 14 to 41 and the notes on pages 42 to 84 form an integral part of the annual financial statements.

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                                 |                    |          |                    |                   |                     |      |
|-------------------------------------------------|--------------------|----------|--------------------|-------------------|---------------------|------|
| Sale of goods                                   | 871,821            | -        | 871,821            | -                 | (871,821)           | 58.1 |
| Service charges                                 | 70,616,675         | -        | 70,616,675         | 52,322,594        | (18,294,081)        | 58.2 |
| Rental of facilities and equipment              | 116,909            | -        | 116,909            | 67,578            | (49,331)            | 58.3 |
| Interest received (trading)                     | 35,576,941         | -        | 35,576,941         | 39,081,470        | 3,504,529           | 58.4 |
| Other income                                    | 83,329             | -        | 83,329             | 492,521           | 409,192             | 58.5 |
| Interest received - investment                  | -                  | -        | -                  | 674,742           | 674,742             | 58.6 |
| <b>Total revenue from exchange transactions</b> | <b>107,265,675</b> | <b>-</b> | <b>107,265,675</b> | <b>92,638,905</b> | <b>(14,626,770)</b> |      |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                   |            |   |            |            |             |      |
|-------------------|------------|---|------------|------------|-------------|------|
| Property rates    | 24,873,420 | - | 24,873,420 | 19,165,612 | (5,707,808) | 58.7 |
| Interest received | 11,129,050 | - | 11,129,050 | 14,523,333 | 3,394,283   | 58.8 |

##### Transfer revenue

|                               |             |             |             |             |            |       |
|-------------------------------|-------------|-------------|-------------|-------------|------------|-------|
| Government grants & subsidies | 170,686,000 | 143,281,469 | 313,967,469 | 329,126,257 | 15,158,788 | 58.9  |
| Fines, Penalties and Forfeits | 50,000      | -           | 50,000      | -           | (50,000)   | 58.10 |

|                                                     |                    |                    |                    |                    |                   |  |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--|
| <b>Total revenue from non-exchange transactions</b> | <b>206,738,470</b> | <b>143,281,469</b> | <b>350,019,939</b> | <b>362,815,202</b> | <b>12,795,263</b> |  |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--|

|                      |                    |                    |                    |                    |                    |  |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| <b>Total revenue</b> | <b>314,004,145</b> | <b>143,281,469</b> | <b>457,285,614</b> | <b>455,454,107</b> | <b>(1,831,507)</b> |  |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|

#### Expenditure

|                                          |                      |                     |                      |                      |                     |       |
|------------------------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|-------|
| Employee related costs                   | (67,777,068)         | -                   | (67,777,068)         | (55,838,903)         | 11,938,165          | 58.11 |
| Remuneration of councillors              | (5,344,556)          | (1,317,019)         | (6,661,575)          | (6,703,017)          | (41,442)            | 58.12 |
| Depreciation and amortisation            | (26,166,746)         | -                   | (26,166,746)         | (34,464,362)         | (8,297,616)         | 58.13 |
| Impairment loss/ Reversal of impairments | -                    | -                   | -                    | (7,628,083)          | (7,628,083)         | 58.14 |
| Finance costs                            | (1,000,000)          | -                   | (1,000,000)          | (33,062,640)         | (32,062,640)        | 58.15 |
| Lease rentals on operating lease         | -                    | -                   | -                    | (599,846)            | (599,846)           | 58.16 |
| Debt Impairment                          | -                    | -                   | -                    | (16,769,166)         | (16,769,166)        |       |
| Bad debts written off                    | (6,516,577)          | -                   | (6,516,577)          | -                    | 6,516,577           | 58.17 |
| Bulk purchases                           | (30,480,000)         | 25,500,000          | (4,980,000)          | (36,559,497)         | (31,579,497)        | 58.19 |
| Contracted Services                      | (17,400,000)         | (53,870,000)        | (71,270,000)         | (6,463,225)          | 64,806,775          | 58.20 |
| General Expenses                         | (21,128,297)         | (8,652,000)         | (29,780,297)         | (100,090,323)        | (70,310,026)        | 58.21 |
| <b>Total expenditure</b>                 | <b>(175,813,244)</b> | <b>(38,339,019)</b> | <b>(214,152,263)</b> | <b>(298,179,062)</b> | <b>(84,026,799)</b> |       |

|                          |                    |                    |                    |                    |                     |  |
|--------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--|
| <b>Operating surplus</b> | <b>138,190,901</b> | <b>104,942,450</b> | <b>243,133,351</b> | <b>157,275,045</b> | <b>(85,858,306)</b> |  |
|--------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--|

|                                            |   |   |   |           |           |       |
|--------------------------------------------|---|---|---|-----------|-----------|-------|
| Loss on disposal of assets and liabilities | - | - | - | (977,633) | (977,633) | 58.22 |
|--------------------------------------------|---|---|---|-----------|-----------|-------|

|                        |   |   |   |         |         |       |
|------------------------|---|---|---|---------|---------|-------|
| Fair value adjustments | - | - | - | 296,000 | 296,000 | 58.23 |
|------------------------|---|---|---|---------|---------|-------|

|                        |   |   |   |        |        |       |
|------------------------|---|---|---|--------|--------|-------|
| Actuarial gains/losses | - | - | - | 59,075 | 59,075 | 58.24 |
|------------------------|---|---|---|--------|--------|-------|

|  |   |   |   |           |           |  |
|--|---|---|---|-----------|-----------|--|
|  | - | - | - | (622,558) | (622,558) |  |
|--|---|---|---|-----------|-----------|--|

|                                |                    |                    |                    |                    |                     |  |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--|
| <b>Surplus before taxation</b> | <b>138,190,901</b> | <b>104,942,450</b> | <b>243,133,351</b> | <b>156,652,487</b> | <b>(86,480,864)</b> |  |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--|

# Tokoloko Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                                                                                  | Approved<br>budget | Adjustments        | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                                                                  |                    |                    |                    |                                          |                                                     |           |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>138,190,901</b> | <b>104,942,450</b> | <b>243,133,351</b> | <b>156,652,487</b>                       | <b>(86,480,864)</b>                                 |           |

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|-----------|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|                                                      |             |              |              |             |              |       |
|------------------------------------------------------|-------------|--------------|--------------|-------------|--------------|-------|
| Inventories                                          | 310,917     | -            | 310,917      | 41,278      | (269,639)    | 58.25 |
| Operating lease asset                                | -           | -            | -            | 6,488       | 6,488        | 58.26 |
| Receivables from exchange transactions               | 43,428      | -            | 43,428       | 101,469,184 | 101,425,756  | 58.27 |
| Statutory receivables from non-exchange transactions | 11,317,640  | 12,696,412   | 24,014,052   | 12,526,788  | (11,487,264) | 58.28 |
| VAT receivable                                       | 25,325,668  | -            | 25,325,668   | 100,285,408 | 74,959,740   | 58.29 |
| Consumer debtors                                     | 33,569,060  | (67,138,122) | (33,569,062) | 80,500,365  | 114,069,427  | 58.30 |
| Cash and cash equivalents                            | 54,647,443  | -            | 54,647,443   | 781,281     | (53,866,162) | 58.31 |
|                                                      | 125,214,156 | (54,441,710) | 70,772,446   | 295,610,792 | 224,838,346  |       |

##### Non-Current Assets

|                                                              |             |             |             |               |             |       |
|--------------------------------------------------------------|-------------|-------------|-------------|---------------|-------------|-------|
| Biological assets that form part of an agricultural activity | 2,783,944   | -           | 2,783,944   | 2,090,700     | (693,244)   | 58.32 |
| Investment property                                          | 3,109,245   | -           | 3,109,245   | 39,006,178    | 35,896,933  | 58.33 |
| Property, plant and equipment                                | 774,191,567 | 193,281,476 | 967,473,043 | 1,178,333,583 | 210,860,540 |       |
| Intangible assets                                            | 1           | -           | 1           | 52,653        | 52,652      | 58.34 |
| Heritage assets                                              | 41,573      | -           | 41,573      | 37,000        | (4,573)     | 58.35 |
| Investments in associates                                    | 147,848     | -           | 147,848     | -             | (147,848)   | 58.36 |
|                                                              | 780,274,178 | 193,281,476 | 973,555,654 | 1,219,520,114 | 245,964,460 |       |

**Total Assets** **905,488,334** **138,839,766** **1,044,328,100** **1,515,130,906** **470,802,806**

#### Liabilities

##### Current Liabilities

|                                            |             |   |             |             |             |       |
|--------------------------------------------|-------------|---|-------------|-------------|-------------|-------|
| Finance lease obligation                   | 104,290     | - | 104,290     | 261,782     | 157,492     | 58.37 |
| Payables from exchange transactions        | 147,782,435 | - | 147,782,435 | 488,238,685 | 340,456,250 | 58.38 |
| Taxes and transfers payable (non-exchange) | 573,036     | - | 573,036     | -           | (573,036)   | 58.39 |
| VAT payable                                | -           | - | -           | 12,079,722  | 12,079,722  | 58.40 |
| Consumer deposits                          | 638,219     | - | 638,219     | 536,335     | (101,884)   | 58.41 |
| Employee benefit obligation                | -           | - | -           | 439,000     | 439,000     | 58.42 |
| Unspent conditional grants and receipts    | -           | - | -           | 6,960,255   | 6,960,255   | 58.43 |
| Provisions                                 | 485,666     | - | 485,666     | -           | (485,666)   | 58.44 |
|                                            | 149,583,646 | - | 149,583,646 | 508,515,779 | 358,932,133 |       |

##### Non-Current Liabilities

|                             |            |   |            |            |             |       |
|-----------------------------|------------|---|------------|------------|-------------|-------|
| Finance lease obligation    | 35,940     | - | 35,940     | 454,796    | 418,856     | 58.45 |
| Employee benefit obligation | 4,750,581  | - | 4,750,581  | 3,080,000  | (1,670,581) | 58.46 |
| Provisions                  | 19,301,031 | - | 19,301,031 | 45,995,357 | 26,694,326  | 58.47 |
|                             | 24,087,552 | - | 24,087,552 | 49,530,153 | 25,442,601  |       |

**Total Liabilities** **173,671,198** **-** **173,671,198** **558,045,932** **384,374,734**

**Net Assets** **731,817,136** **138,839,766** **870,656,902** **957,084,974** **86,428,072**

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                                    | Approved<br>budget | Adjustments | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--------------------------------------------------------------------|--------------------|-------------|--------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                    |                    |             |                    |                                          |                                                     |           |
| <b>Net Assets</b>                                                  |                    |             |                    |                                          |                                                     |           |
| <b>Net Assets Attributable to<br/>Owners of Controlling Entity</b> |                    |             |                    |                                          |                                                     |           |
| <b>Reserves</b>                                                    |                    |             |                    |                                          |                                                     |           |
| Accumulated surplus                                                | 731,817,136        | 138,839,766 | <b>870,656,902</b> | 856,799,562                              | <b>(13,857,340)</b>                                 | 58.49     |

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|-----------|
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|-----------|

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

|                            |                    |                    |                    |                    |                     |       |
|----------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|-------|
| Taxation                   | 21,985,961         | 1,415,131          | <b>23,401,092</b>  | -                  | <b>(23,401,092)</b> | 58.50 |
| Sale of goods and services | 21,584,386         | 30,186,666         | <b>51,771,052</b>  | 34,529,512         | <b>(17,241,540)</b> | 58.51 |
| Grants                     | 170,686,000        | 143,281,469        | <b>313,967,469</b> | 330,425,938        | <b>16,458,469</b>   | 58.52 |
| Interest income            | 46,705,991         | (25,688,295)       | <b>21,017,696</b>  | -                  | <b>(21,017,696)</b> | 58.53 |
| Other receipts             | 1,603,075          | (350,239)          | <b>1,252,836</b>   | 674,742            | <b>(578,094)</b>    | 58.54 |
|                            | <b>262,565,413</b> | <b>148,844,732</b> | <b>411,410,145</b> | <b>365,630,192</b> | <b>(45,779,953)</b> |       |

##### Payments

|                |                      |          |                      |                      |                      |       |
|----------------|----------------------|----------|----------------------|----------------------|----------------------|-------|
| Employee costs | (142,129,921)        | -        | <b>(142,129,921)</b> | (62,535,845)         | <b>79,594,076</b>    | 58.55 |
| Suppliers      | -                    | -        | -                    | (150,810,676)        | <b>(150,810,676)</b> |       |
| Finance costs  | (1,000,000)          | -        | <b>(1,000,000)</b>   | (162,853)            | <b>837,147</b>       | 58.56 |
|                | <b>(143,129,921)</b> | <b>-</b> | <b>(143,129,921)</b> | <b>(213,509,374)</b> | <b>(70,379,453)</b>  |       |

|                                                 |                    |                    |                    |                    |                      |  |
|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|--|
| <b>Net cash flows from operating activities</b> | <b>119,435,492</b> | <b>148,844,732</b> | <b>268,280,224</b> | <b>152,120,818</b> | <b>(116,159,406)</b> |  |
|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|--|

#### Cash flows from investing activities

|                                           |              |   |                     |               |                     |       |
|-------------------------------------------|--------------|---|---------------------|---------------|---------------------|-------|
| Purchase of property, plant and equipment | (90,707,550) | - | <b>(90,707,550)</b> | (154,343,275) | <b>(63,635,725)</b> | 58.57 |
|-------------------------------------------|--------------|---|---------------------|---------------|---------------------|-------|

#### Cash flows from financing activities

|                                                         |                   |                    |                    |                |                      |  |
|---------------------------------------------------------|-------------------|--------------------|--------------------|----------------|----------------------|--|
| Finance lease movements                                 | -                 | -                  | -                  | 14,025         | <b>14,025</b>        |  |
| Net increase/(decrease) in cash and cash equivalents    | 28,727,942        | 148,844,732        | <b>177,572,674</b> | (2,222,457)    | <b>(179,795,131)</b> |  |
| Cash and cash equivalents at the beginning of the year  | 2,985,562         | -                  | <b>2,985,562</b>   | 2,989,713      | <b>4,151</b>         |  |
| <b>Cash and cash equivalents at the end of the year</b> | <b>31,713,504</b> | <b>148,844,732</b> | <b>180,558,236</b> | <b>767,256</b> | <b>(179,790,980)</b> |  |

#### Reconciliation

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### 1. Significant accounting policies

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

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

#### Trade receivables / Held to maturity investments and/or loans and receivables

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

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

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

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

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

#### Useful lives of waste and water network and other assets

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Effective interest rate

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

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for doubtful debts

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

#### Impairment of statutory receivables

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

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

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

### 1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

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

An unconditional government grant related to biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- 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.

#### Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

### 1.7 Property, plant and equipment

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

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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| Item                                                                         | Depreciation method | Average useful life |
|------------------------------------------------------------------------------|---------------------|---------------------|
| Land                                                                         | Straight-line       | Indefinite          |
| Buildings                                                                    | Straight-line       | 15 - 50 years       |
| Furniture and fixtures                                                       | Straight-line       | 3 - 10 years        |
| Motor vehicles                                                               | Straight-line       | 5 - 10 years        |
| Office equipment                                                             | Straight-line       | 3 - 10 years        |
| Computer equipment                                                           | Straight-line       | 2 - 7 years         |
| Plant and machinery                                                          | Straight-line       | 3 - 30 years        |
| Infrastructure (Water & Sewerage)                                            | Straight-line       | 10 - 70 years       |
| Infrastructure (Community facilities and Sports and Recreational facilities) | Straight-line       | 10 - 50 years       |

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# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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

|                                               |               |               |
|-----------------------------------------------|---------------|---------------|
| Infrastructure (Electricity)                  | Straight-line | 15 - 50 years |
| Infrastructure (Roads and Stormwater)         | Straight-line | 10 - 80 years |
| Infrastructure (Solid waste & landfill sites) | Straight-line | 10 - 50 years |
| Infrastructure (Communication)                | Straight-line | 10 years      |

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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### 1.8 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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| Item               | Depreciation method | Average useful life |
|--------------------|---------------------|---------------------|
| Computer softwares | Straight-line       | 3 years             |

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### 1.9 Heritage assets

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

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

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

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

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.

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### 1.9 Heritage assets (continued)

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

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

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

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

### 1.10 Financial instruments

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

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

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

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

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

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

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

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

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### 1.10 Financial instruments (continued)

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

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

A financial asset is:

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

A financial 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.

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

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

### Classification

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

#### Class

Loan1  
Loan2  
Loan3

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

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

#### Class

Loan1  
Other financial liability1

#### Category

Financial liability measured at amortised cost  
Financial liability measured at fair value

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

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

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### 1.10 Financial instruments (continued)

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

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

### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

### Fair value measurement considerations

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

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

### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

### Gains and losses

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

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

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### 1.10 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

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

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

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

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

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### 1.10 Financial instruments (continued)

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

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

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

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

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

#### Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.11 Tax

#### Value added tax (VAT)

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### 1.11 Tax (continued)

The municipality accounts for VAT on the payment basis. The municipal entity is liable to account 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 or are scoped out for VAT purposes. The municipal entity accounts for VAT on a monthly basis.

### 1.12 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

### 1.13 Inventories

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

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

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

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

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### 1.13 Inventories (continued)

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) 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.

### 1.14 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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### 1.14 Impairment of cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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## Significant Accounting Policies

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.16 Employee benefits

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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### 1.17 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- 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, a 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.

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## Significant Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.18 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.

### 1.19 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.

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## Significant Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

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

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

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

# **Tokologo Local Municipality**

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## **Significant Accounting Policies**

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### **1.19 Revenue from exchange transactions (continued)**

#### **Interest, royalties and dividends**

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

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

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

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

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

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

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### 1.20 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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

### Recognition

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

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

### Measurement

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

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## Significant Accounting Policies

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

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

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

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

### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

### Transfers

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

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

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

### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.21 Investment income

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

### 1.22 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.

### 1.23 Comparative figures

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.25 Fruitless and wasteful expenditure

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

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

### 1.26 Irregular expenditure

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

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

### 1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01-Jul-22 to 30-Jun-23.

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

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

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Significant Accounting Policies

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### 1.28 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 ventures).

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

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

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

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

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

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

### 1.29 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.

### 1.30 Unspent conditional grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable

Unspent conditional grants are financial liabilities that are separately disclosed in the Statement of Financial Position.

Unspent conditional grants of prior years that are due to be surrendered to treasury against the equitable share of the preceding year, are disclosed separately as unspent grants to be surrendered to treasury.

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023  
Restated

### 2. New standards and interpretations

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

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

| Standard/ Interpretation:                                                                                  | Effective date:<br>Years beginning on or after | Expected impact:                   |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------|
| • GRAP 107 Mergers                                                                                         | 1 April, 2023                                  | The impact of the is not material. |
| • GRAP 106 Transfer of Functions Between Entities Not Under Common Control                                 | 1 April, 2023                                  | The impact of the is not material. |
| • GRAP 105 Transfer of Functions Between Entities Under Common Control                                     | 1 April, 2023                                  | The impact of the is not material. |
| • iGRAP 21: The Effect of Past Decisions on Materiality                                                    | 1 April, 2023                                  | The impact of the is not material. |
| • GRAP 25 (as revised): Employee Benefits                                                                  | 1 April, 2023                                  | The impact of the is not material. |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | 1 April, 2023                                  | The impact of the is not material. |
| • GRAP 2020: Improvements to the Standards of GRAP 2020                                                    | 1 April, 2023                                  | The impact of the is not material. |
| • Guideline: Guideline on Accounting for Landfill Sites                                                    | 1 April, 2023                                  | The impact of the is not material. |
| • GRAP 1 (amended): Presentation of Financial Statements (Materiality)                                     | 1 April, 2023                                  | The impact of the is not material. |

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2024 or later periods:

| Standard/ Interpretation:                                                | Effective date:<br>Years beginning on or after | Expected impact:                         |
|--------------------------------------------------------------------------|------------------------------------------------|------------------------------------------|
| • GRAP 2023 Improvements to the Standards of GRAP 2023                   | 1 April, 2023                                  | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 1 April, 2023                                  | Unlikely there will be a material impact |
| • GRAP 103 (as revised): Heritage Assets                                 | 1 April, 2023                                  | Unlikely there will be a material impact |
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration       | 1 April, 2025                                  | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020                  | To be determined                               | Unlikely there will be a material impact |

### 3. Inventories

Water Inventory

41,278

41,278

#### Inventory pledged as security

No inventories were pledged as security.

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                     | 2024             | 2023             |
|-----------------------------------------------------|------------------|------------------|
| <b>4. Operating lease receivable</b>                |                  |                  |
| Lessor - Rental cellular tower sites / camps        | 6,488            | 6,488            |
| <b>5. Receivables from exchange transactions</b>    |                  |                  |
| Overpayment of councillors & employees              | 121,242          | 121,242          |
| Sundry debtors - Eskom                              | 1,062,534        | 967,449          |
|                                                     | <b>1,183,776</b> | <b>1,088,691</b> |
| <b>Gross balances</b>                               |                  |                  |
| Overpayment of councillors & employees              | 121,242          | 121,242          |
| Deposits - Eskom                                    | 1,062,534        | 967,449          |
|                                                     | <b>1,183,776</b> | <b>1,088,691</b> |
| <b>Less: Allowance for impairment</b>               |                  |                  |
| Overpayment of councillors & employees              | -                | -                |
| Deposits - Eskom                                    | -                | -                |
|                                                     | <b>-</b>         | <b>-</b>         |
| <b>Total receivables from exchange transactions</b> | <b>1,183,776</b> | <b>1,088,691</b> |

### Receivables from exchange transactions pledged as security

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

### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June, 2024, 121,242 (2023: 121,242) were past due but not impaired.

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

|                             |         |         |
|-----------------------------|---------|---------|
| More than 3 months past due | 121,242 | 121,242 |
|-----------------------------|---------|---------|

### Receivables from exchange transactions impaired

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

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

|                                |   |   |
|--------------------------------|---|---|
| Balance at the end of the year | - | - |
|--------------------------------|---|---|

### Reconciliation of provision for impairment of trade and other receivables

|                                      |          |             |
|--------------------------------------|----------|-------------|
| Opening balance                      | -        | (3,112,268) |
| Provision for impairment             | -        | 3,104,935   |
| Amounts written off as uncollectible | -        | 7,333       |
|                                      | <b>-</b> | <b>-</b>    |

### 6. Statutory receivables from non-exchange transactions

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                                            | 2024                | 2023                |
|----------------------------------------------------------------------------|---------------------|---------------------|
| <b>6. Statutory receivables from non-exchange transactions (continued)</b> |                     |                     |
| <b>Gross balances</b>                                                      |                     |                     |
| Property rates                                                             | 67,444,443          | 62,152,118          |
| Fines                                                                      | 731,150             | 731,150             |
|                                                                            | <b>68,175,593</b>   | <b>62,883,268</b>   |
| <b>Less: Allowance for impairment</b>                                      |                     |                     |
| Property rates                                                             | (55,502,432)        | (55,502,432)        |
| Fines                                                                      | (731,150)           | (731,150)           |
|                                                                            | <b>(56,233,582)</b> | <b>(56,233,582)</b> |
| <b>Net balance</b>                                                         | <b>12,526,788</b>   | <b>5,698,935</b>    |

### Statutory receivables general information

#### Statutory receivables impaired

As of 30 June, 2024, Statutory receivables of 62,883,268 (2023: 62,883,268) were impaired and provided for.

The amount of the provision was 56,233,582 as of 30 June, 2024 (2023: 56,233,582).

#### Statutory receivables from non-exchange transactions pledged as security

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

#### 7. VAT receivable

|                |                   |                   |
|----------------|-------------------|-------------------|
| VAT Control    | 88,205,686        | 55,364,472        |
| VAT receivable | 100,285,408       | 60,995,749        |
| VAT payable    | (12,079,467)      | (5,631,277)       |
|                | <b>88,205,941</b> | <b>55,364,472</b> |

#### 8. Consumer receivables from exchange transactions

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| <b>Gross balances</b> |                    |                    |
| Electricity           | 17,980,321         | 17,409,415         |
| Water                 | 36,756,826         | 31,419,232         |
| Sewerage              | 240,353,830        | 199,836,659        |
| Refuse                | 156,987,201        | 130,780,249        |
| Sundry services       | 967,146            | 202,078            |
| Housing rental        | 3,829,387          | 3,383,120          |
| Other receivables     | 313,835            | 313,835            |
|                       | <b>457,188,546</b> | <b>383,344,588</b> |

# Tokologo Local Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand                                                       | 2024                 | 2023                 |
|-----------------------------------------------------------------------|----------------------|----------------------|
| <b>8. Consumer receivables from exchange transactions (continued)</b> |                      |                      |
| <b>Less: Allowance for impairment</b>                                 |                      |                      |
| Electricity                                                           | (15,970,030)         | (15,970,030)         |
| Water                                                                 | (30,989,321)         | (30,989,321)         |
| Sewerage                                                              | (196,587,094)        | (196,587,094)        |
| Refuse                                                                | (129,288,689)        | (129,288,689)        |
| Sundry services                                                       | (206,537)            | (206,537)            |
| Housing rental                                                        | (3,287,159)          | (3,287,159)          |
| Other receivables                                                     | (359,351)            | (359,351)            |
|                                                                       | <b>(376,688,181)</b> | <b>(376,688,181)</b> |
| <b>Net balance</b>                                                    |                      |                      |
| Electricity                                                           | 2,010,291            | 1,439,385            |
| Water                                                                 | 5,767,505            | 429,911              |
| Sewerage                                                              | 43,766,736           | 3,249,565            |
| Refuse                                                                | 27,698,512           | 1,491,560            |
| Sundry services                                                       | 760,609              | (4,459)              |
| Housing rental                                                        | 542,228              | 95,961               |
| Other receivables                                                     | (45,516)             | (45,516)             |
|                                                                       | <b>80,500,365</b>    | <b>6,656,407</b>     |
| <b>Electricity</b>                                                    |                      |                      |
| Current (0 -30 days)                                                  | 788,146              | 723,070              |
| 31 - 60 days                                                          | 263,347              | 241,603              |
| 61 - 90 days                                                          | 250,910              | 230,193              |
| 91 - 120 days                                                         | 231,577              | 212,456              |
| 121 - 365 days                                                        | 17,510,576           | 16,002,093           |
| Less: allowance for impairment                                        | (17,034,265)         | (15,970,030)         |
|                                                                       | <b>2,010,291</b>     | <b>1,439,385</b>     |
| <b>Water</b>                                                          |                      |                      |
| Current (0 -30 days)                                                  | 1,503,714            | 1,379,554            |
| 31 - 60 days                                                          | 507,454              | 465,554              |
| 61 - 90 days                                                          | 720,742              | 661,231              |
| 91 - 120 days                                                         | 662,373              | 607,682              |
| 121 - 365 days                                                        | 29,720,472           | 28,305,211           |
| Less: allowance for impairment                                        | (27,347,250)         | (30,989,321)         |
|                                                                       | <b>5,767,505</b>     | <b>429,911</b>       |
| <b>Sewerage</b>                                                       |                      |                      |
| Current (0 -30 days)                                                  | 10,449,743           | 10,047,830           |
| 31 - 60 days                                                          | 3,377,732            | 3,247,819            |
| 61 - 90 days                                                          | 3,210,149            | 3,086,682            |
| 91 - 120 days                                                         | 3,184,842            | 3,062,348            |
| 121 - 365 days                                                        | 187,619,874          | 180,391,981          |
| Less: allowance for impairment                                        | (164,075,604)        | (196,587,095)        |
|                                                                       | <b>43,766,736</b>    | <b>3,249,565</b>     |

# Tokologo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                                       | 2024                 | 2023                 |
|-----------------------------------------------------------------------|----------------------|----------------------|
| <b>8. Consumer receivables from exchange transactions (continued)</b> |                      |                      |
| <b>Refuse</b>                                                         |                      |                      |
| Current (0 -30 days)                                                  | 6,795,445            | 6,534,082            |
| 31 - 60 days                                                          | 2,193,943            | 2,109,561            |
| 61 - 90 days                                                          | 2,084,295            | 2,004,130            |
| 91 - 120 days                                                         | 2,065,140            | 1,985,712            |
| 121 - 365 days                                                        | 122,916,243          | 118,146,764          |
| Less: allowance for impairment                                        | (108,356,554)        | (129,288,689)        |
|                                                                       | <b>27,698,512</b>    | <b>1,491,560</b>     |
| <b>Sundry service</b>                                                 |                      |                      |
| Current (0 -30 days)                                                  | 5,375                | 4,977                |
| 31 - 60 days                                                          | 1,726                | 1,598                |
| 61 - 90 days                                                          | 1,628                | 1,507                |
| 91 - 120 days                                                         | 1,629                | 1,508                |
| 121 - 365 days                                                        | 950,251              | 192,487              |
| Less: allowance for impairment                                        | (200,000)            | (206,536)            |
|                                                                       | <b>760,609</b>       | <b>(4,459)</b>       |
| <b>Housing rental</b>                                                 |                      |                      |
| Current (0 -30 days)                                                  | 92,799               | 85,137               |
| 31 - 60 days                                                          | 56,178               | 51,539               |
| 61 - 90 days                                                          | 38,876               | 35,666               |
| 91 - 120 days                                                         | 38,714               | 35,517               |
| 121 - 365 days                                                        | 3,461,034            | 3,175,261            |
| > 365 days                                                            | (3,145,373)          | (3,287,159)          |
|                                                                       | <b>542,228</b>       | <b>95,961</b>        |
| <b>Other recievables</b>                                              |                      |                      |
| Current (0 -30 days)                                                  | 36,496               | 36,496               |
| 31 - 60 days                                                          | 19,286               | 19,286               |
| 61 - 90 days                                                          | 10,904               | 10,904               |
| 91 - 120 days                                                         | 8,891                | 8,891                |
| 121 - 365 days                                                        | 238,258              | 238,258              |
| > 365 days                                                            | (359,351)            | (359,351)            |
|                                                                       | <b>(45,516)</b>      | <b>(45,516)</b>      |
| <b>Reconciliation of allowance for impairment</b>                     |                      |                      |
| Balance at beginning of the year                                      | (376,688,181)        | (274,933,229)        |
| Contributions to allowance                                            | -                    | (101,754,952)        |
|                                                                       | <b>(376,688,181)</b> | <b>(376,688,181)</b> |

### Consumer receivables from exchange transactions pledged as security

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

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

### 8. Consumer receivables from exchange transactions (continued)

#### Consumer debtors impaired

As of 30 June, 2024, consumer debtors of 457,188,546 (2023: 383,465,440) were impaired and provided for.

The amount of the provision was 376,688,181 as of 30 June, 2024 (2023: 376,688,181).

The ageing of these receivables is as follows:

|               |             |             |
|---------------|-------------|-------------|
| Over 6 months | 376,688,181 | 376,688,181 |
|---------------|-------------|-------------|

#### Reconciliation of allowance for impairment of consumer receivables from exchange transactions

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Balance at beginning of the year | (376,688,181)        | (274,933,229)        |
| Contributions to allowance       | -                    | (101,754,952)        |
|                                  | <b>(376,688,181)</b> | <b>(376,688,181)</b> |

### 9. Government grants receivables

#### Regional Bulk Infrastructure Grant

|                                    |             |                    |
|------------------------------------|-------------|--------------------|
| Opening Balance                    | (3,003,512) | -                  |
| Receipts in the current year       | 3,003,512   | 66,861,871         |
| Revenue recognised - Condition met | -           | (69,865,383)       |
| <b>Grants receivable</b>           | <b>-</b>    | <b>(3,003,512)</b> |

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

See note 29 for reconciliation of grants from National Government.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                |                  |
|---------------------|----------------|------------------|
| Bank balances       | 284,039        | 2,637,485        |
| Short-term deposits | 497,242        | 352,228          |
|                     | <b>781,281</b> | <b>2,989,713</b> |

#### Cash and cash equivalents pledged as guarantee

|                                         |         |         |
|-----------------------------------------|---------|---------|
| Beneficiary: ESKOM Holdings SOC Limited | 100,000 | 100,000 |
| No expiry date                          |         |         |

# Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description      | Bank statement balances |                  |                | Cash book balances |                  |                |
|-----------------------------------|-------------------------|------------------|----------------|--------------------|------------------|----------------|
|                                   | 30 June, 2024           | 30 June, 2023    | 30 June, 2022  | 30 June, 2024      | 30 June, 2023    | 30 June, 2022  |
| FNB Current Account 62021285748   | 284,039                 | 2,637,485        | 18,442         | 284,039            | 2,637,485        | 18,442         |
| Business Money Market 62290902678 | 3,974                   | 9,510            | 41             | 3,974              | 9,510            | 41             |
| 7 day notice 74368883317          | 49,407                  | 45,558           | 43,008         | 49,407             | 45,558           | 43,008         |
| 32 days' notice 74037651683       | 213,845                 | 196,117          | 183,068        | 213,845            | 196,117          | 183,068        |
| FNB Fixed Deposit 71037990209     | 10,145                  | 10,145           | 10,145         | 10,145             | 10,145           | 10,145         |
| FNB Fixed Deposit 74037601777     | 84,262                  | 77,594           | 72,668         | 84,262             | 77,594           | 72,668         |
| FNB Money Market 6238885376       | 135,609                 | 13,303           | 969            | 135,609            | 13,303           | 969            |
| <b>Total</b>                      | <b>781,281</b>          | <b>2,989,712</b> | <b>328,341</b> | <b>781,281</b>     | <b>2,989,712</b> | <b>328,341</b> |

### 11. Biological assets that form part of an agricultural activity

|                          | 2024             |                                                     |                | 2023             |                                                     |                |
|--------------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
|                          | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Biological assets - Game | 2,090,700        | -                                                   | 2,090,700      | 1,769,800        | -                                                   | 1,769,800      |

#### Reconciliation of biological assets that form part of an agricultural activity - 2024

|                          | Opening balance | Additions through birth / acquisitions | Decreases due to deaths / sales | Gains or losses arising from changes in fair value | Total     |
|--------------------------|-----------------|----------------------------------------|---------------------------------|----------------------------------------------------|-----------|
| Biological assets - Game | 1,769,800       | 138,600                                | (113,700)                       | 296,000                                            | 2,090,700 |

#### Reconciliation of biological assets that form part of an agricultural activity - 2023

|                          | Opening balance | Additions through birth / acquisitions | Decreases due to deaths / sales | Gains or losses arising from changes in fair value | Total     |
|--------------------------|-----------------|----------------------------------------|---------------------------------|----------------------------------------------------|-----------|
| Biological assets - Game | 4,412,400       | 284,900                                | (123,000)                       | (2,804,500)                                        | 1,769,800 |

# Tokologo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

| Figures in Rand                                                                     | 2024         | 2023         |
|-------------------------------------------------------------------------------------|--------------|--------------|
| <b>11. Biological assets that form part of an agricultural activity (continued)</b> |              |              |
| <b>Non-financial information</b>                                                    |              |              |
| <b>Quantities of each biological asset</b>                                          |              |              |
| Blesbuck                                                                            | 208          | 240          |
| Burchell's Zebra                                                                    | 38           | 41           |
| Red Hartebeest                                                                      | 66           | 72           |
| Ostrich                                                                             | 4            | 4            |
| Eland                                                                               | 31           | 31           |
| Gemsbok                                                                             | 71           | 67           |
| Impala                                                                              | 71           | 71           |
| Springbok                                                                           | 620          | 594          |
| Giraffe                                                                             | 1            | 1            |
| Kudu                                                                                | 5            | -            |
| Warthog                                                                             | 5            | 5            |
|                                                                                     | <b>1,120</b> | <b>1,126</b> |

### Pledged as security

There are no biological assets that were pledged as security

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Investment property**

|                     | 2024                |                                                                 | 2023           |                                                                 |
|---------------------|---------------------|-----------------------------------------------------------------|----------------|-----------------------------------------------------------------|
|                     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation                                             |
|                     |                     |                                                                 |                | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment |
|                     |                     |                                                                 |                | Carrying value                                                  |
| Investment property | 39,380,398          | (374,220)                                                       | 39,006,178     | 39,380,398                                                      |
|                     |                     |                                                                 | (374,220)      | 39,006,178                                                      |

**Reconciliation of investment property - 2024**

|                     | Opening<br>balance | Total      |
|---------------------|--------------------|------------|
| Investment property | 39,006,178         | 39,006,178 |

**Reconciliation of investment property - 2023**

|                     | Opening<br>balance | Disposals | Impairments | Total      |
|---------------------|--------------------|-----------|-------------|------------|
| Investment property | 39,401,682         | (21,284)  | (374,220)   | 39,006,178 |

**Pledged as security**

There are no investment properties that were pledged as security.

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

**Maintenance of investment property**

Investment property comprises of land. No repairs and maintenance relating to land, were incurred during the financial year and prior year

# Tokologo Local Municipality

(Registration number FS182)  
Annual Financial Statements for the year ended 30 June, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

|                         | 2024                 |                                                                 |                      | 2023                 |                                                                 |                      |
|-------------------------|----------------------|-----------------------------------------------------------------|----------------------|----------------------|-----------------------------------------------------------------|----------------------|
|                         | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Buildings               | 77,443,477           | (57,465,050)                                                    | 19,978,427           | 77,678,175           | (57,043,469)                                                    | 20,634,706           |
| Computer equipment      | 1,003,530            | (896,615)                                                       | 106,915              | 1,021,177            | (848,904)                                                       | 172,273              |
| Finance leased assets   | 836,428              | (167,049)                                                       | 669,379              | 1,764,591            | (1,415,349)                                                     | 349,242              |
| Furniture and fixtures  | 3,741,981            | (2,616,481)                                                     | 1,125,500            | 3,161,199            | (2,480,183)                                                     | 681,016              |
| Infrastructure          | 1,732,940,473        | (614,100,383)                                                   | 1,118,840,090        | 1,581,815,166        | (584,833,386)                                                   | 996,981,780          |
| Land                    | 36,092,693           | 187,374                                                         | 36,280,067           | 36,092,693           | -                                                               | 36,092,693           |
| Motor vehicles          | 10,671,140           | (9,723,843)                                                     | 947,297              | 11,599,407           | (10,324,786)                                                    | 1,274,621            |
| Machinery and equipment | 965,143              | (579,235)                                                       | 385,908              | 772,142              | (515,384)                                                       | 256,758              |
| <b>Total</b>            | <b>1,863,694,865</b> | <b>(685,361,282)</b>                                            | <b>1,178,333,583</b> | <b>1,713,904,550</b> | <b>(657,461,461)</b>                                            | <b>1,056,443,089</b> |

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### 13. Property, plant and equipment (continued)

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

|                        | Opening balance      | Additions          | Disposals          | Transfers received | Transfer to completed | Depreciation        | Impairment loss    | Total                |
|------------------------|----------------------|--------------------|--------------------|--------------------|-----------------------|---------------------|--------------------|----------------------|
| Buildings              | 20,634,706           | -                  | -                  | -                  | -                     | (1,618,615)         | 962,336            | 19,978,427           |
| Computer equipment     | 172,273              | 68,350             | (37,683)           | -                  | -                     | (95,940)            | (85)               | 106,915              |
| Finance leased assets  | 349,242              | 836,427            | -                  | -                  | -                     | (516,290)           | -                  | 669,379              |
| Furniture and fixtures | 681,016              | 724,698            | (10,016)           | -                  | -                     | (272,373)           | 2,175              | 1,125,500            |
| Infrastructure         | 996,981,780          | 163,161,197        | (920,838)          | 5,387,598          | (5,387,598)           | (31,602,166)        | (8,779,883)        | 1,118,840,090        |
| Land                   | 36,092,693           | -                  | -                  | -                  | -                     | -                   | 187,374            | 36,280,067           |
| Motor vehicles         | 1,274,621            | -                  | (33,753)           | -                  | -                     | (293,571)           | -                  | 947,297              |
| Office equipment       | 256,758              | 194,800            | (243)              | -                  | -                     | (65,407)            | -                  | 385,908              |
|                        | <b>1,056,443,089</b> | <b>164,985,472</b> | <b>(1,002,533)</b> | <b>5,387,598</b>   | <b>(5,387,598)</b>    | <b>(34,464,362)</b> | <b>(7,628,083)</b> | <b>1,178,333,583</b> |

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

|                        | Opening balance    | Additions          | Disposals           | Transfers received | Transfers           | Depreciation        | Impairment loss     | Total                |
|------------------------|--------------------|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| Buildings              | 22,579,272         | -                  | (169,566)           | -                  | -                   | (1,699,935)         | (75,065)            | 20,634,706           |
| Computer equipment     | 599,859            | 41,129             | (227,093)           | -                  | -                   | (239,825)           | (1,797)             | 172,273              |
| Finance lease assets   | 931,312            | -                  | -                   | -                  | -                   | (582,070)           | -                   | 349,242              |
| Furniture and fixtures | 547,233            | 394,788            | (61,084)            | -                  | -                   | (211,859)           | 11,938              | 681,016              |
| Infrastructure         | 927,792,346        | 118,978,693        | (5,454,203)         | 46,440,234         | (46,440,234)        | (34,007,734)        | (10,327,322)        | 996,981,780          |
| Land                   | 41,339,382         | -                  | (5,246,689)         | -                  | -                   | -                   | -                   | 36,092,693           |
| Motor vehicles         | 1,869,138          | -                  | (6,287)             | -                  | -                   | (588,431)           | 201                 | 1,274,621            |
| Office equipment       | 107,700            | 195,950            | (9,688)             | -                  | -                   | (38,683)            | 1,479               | 256,758              |
|                        | <b>995,766,242</b> | <b>119,610,560</b> | <b>(11,174,610)</b> | <b>46,440,234</b>  | <b>(46,440,234)</b> | <b>(37,368,537)</b> | <b>(10,390,566)</b> | <b>1,056,443,089</b> |

#### Pledged as security

None of the assets have been pledged as security.

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### 13. Property, plant and equipment (continued)

#### Assets subject to finance lease (Net carrying amount)

|                     |         |         |
|---------------------|---------|---------|
| Finance lease asset | 669,379 | 349,242 |
|---------------------|---------|---------|

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

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

|                |             |             |
|----------------|-------------|-------------|
| Infrastructure | 589,264,257 | 434,031,778 |
|----------------|-------------|-------------|

There were no property, plant and equipment in the process of being constructed or developed which are taking significantly longer period to complete than expected.

There were no property, plant and equipment in the process of being constructed or developed which have been halted.

#### Reconciliation of Work-in-Progress 2024

|                                | Included within<br>Infrastructure | Total              |
|--------------------------------|-----------------------------------|--------------------|
| Opening balance                | 434,031,778                       | 434,031,778        |
| Additions/capital expenditure  | 160,620,077                       | 160,620,077        |
| Transferred to completed items | (5,387,598)                       | (5,387,598)        |
|                                | <b>589,264,257</b>                | <b>589,264,257</b> |

#### Reconciliation of Work-in-Progress 2023

|                                | Included within<br>Infrastructure | Total              |
|--------------------------------|-----------------------------------|--------------------|
| Opening balance                | 372,135,502                       | 372,135,502        |
| Additions/capital expenditure  | 108,336,510                       | 108,336,510        |
| Transferred to completed items | (46,440,234)                      | (46,440,234)       |
|                                | <b>434,031,778</b>                | <b>434,031,778</b> |

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

|                             |                   |                  |
|-----------------------------|-------------------|------------------|
| Contracted services         | 7,510,508         | 4,747,003        |
| Purchase of goods/Inventory | 5,102,735         | 1,789,451        |
| General expenses            | 39,662            | 1,145            |
|                             | <b>12,652,905</b> | <b>6,537,599</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.

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**14. Intangible assets**

|                         | 2024                |                                                                 | 2023           |                     |                                                                 |                |
|-------------------------|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
|                         | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Licenses and software's | 77,271              | (24,618)                                                        | 52,653         | 77,271              | (24,603)                                                        | 52,668         |

**Reconciliation of intangible assets - 2024**

|                         | Opening<br>balance | Amortisation | Total  |
|-------------------------|--------------------|--------------|--------|
| Licenses and software's | 52,668             | (15)         | 52,653 |

**Reconciliation of intangible assets - 2023**

|                         | Opening<br>balance | Total  |
|-------------------------|--------------------|--------|
| Licenses and software's | 52,668             | 52,668 |

**Pledged as security**

None of the intangible assets were pledged as security:

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**15. Heritage assets**

|               | 2024                |                                     |                | 2023                |                                     |                |
|---------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
|               | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value |
| Mayoral chain | 37,000              | -                                   | 37,000         | 37,000              | -                                   | 37,000         |

**Reconciliation of heritage assets 2024**

|               |                              |                 |
|---------------|------------------------------|-----------------|
| Mayoral chain | Opening<br>balance<br>37,000 | Total<br>37,000 |
|---------------|------------------------------|-----------------|

**Reconciliation of heritage assets 2023**

|               |                              |                 |
|---------------|------------------------------|-----------------|
| Mayoral chain | Opening<br>balance<br>37,000 | Total<br>37,000 |
|---------------|------------------------------|-----------------|

**Pledged as security**

None of the heritage assets were pledged as security.

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## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2024           | 2023           |
|----------------------------------------------------|----------------|----------------|
| <b>16. Finance lease obligation</b>                |                |                |
| <b>Minimum lease payments due</b>                  |                |                |
| - within one year                                  | 332,179        | 738,165        |
| - in second to fifth year inclusive                | 498,269        | -              |
|                                                    | 830,448        | 738,165        |
| less: future finance charges                       | (113,870)      | (35,612)       |
| <b>Present value of minimum lease payments</b>     | <b>716,578</b> | <b>702,553</b> |
| <b>Present value of minimum lease payments due</b> |                |                |
| - within one year                                  | 261,782        | 702,553        |
| - in second to fifth year inclusive                | 454,796        | -              |
|                                                    | <b>716,578</b> | <b>702,553</b> |
| Non-current liabilities                            | 454,796        | 2,138          |
| Current liabilities                                | 261,782        | 700,415        |
|                                                    | <b>716,578</b> | <b>702,553</b> |

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 12% (2023: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

## 17. Payables from exchange transactions

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Trade payables                | 385,095,256        | 312,972,020        |
| Payments received in advanced | 7,097,419          | 10,426,383         |
| Accrued leave pay             | 5,344,880          | 5,373,982          |
| Prepaid advance received      | -                  | 1,557,570          |
| Accrued bonus                 | 1,018,289          | 1,018,289          |
| Salary control                | 83,716,803         | 82,216,591         |
| Retentions                    | 5,966,042          | 5,966,042          |
|                               | <b>488,238,689</b> | <b>419,530,877</b> |

## 18. Consumer deposits

|                |                |                |
|----------------|----------------|----------------|
| Electricity    | 435,100        | 438,694        |
| Water          | 98,123         | 98,864         |
| Housing rental | 3,112          | -              |
|                | <b>536,335</b> | <b>537,558</b> |

## 19. Employee benefit obligations

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

|                                                                 |                    |                    |
|-----------------------------------------------------------------|--------------------|--------------------|
| <b>Carrying value</b>                                           |                    |                    |
| Present value of the defined benefit obligation-wholly unfunded | (3,519,000)        | (3,133,000)        |
| Non-current liabilities                                         | (3,080,000)        | (2,491,000)        |
| Current liabilities                                             | (439,000)          | (642,000)          |
|                                                                 | <b>(3,519,000)</b> | <b>(3,133,000)</b> |

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### 19. Employee benefit obligations (continued)

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

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Opening balance         | 3,133,000        | 3,133,000        |
| Service cost            | 269,000          | -                |
| Interest cost           | 308,000          | -                |
| Actuarial loss / (gain) | (191,000)        | -                |
|                         | <b>3,519,000</b> | <b>3,133,000</b> |

Net expense recognised in the statement of financial performance are as follows:

### Calculation of actuarial gains and losses

|                                       |           |             |
|---------------------------------------|-----------|-------------|
| Actuarial (gains) losses – Obligation | (191,000) | (2,532,693) |
|---------------------------------------|-----------|-------------|

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### 19. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

|                                |         |         |
|--------------------------------|---------|---------|
| Discount rates used            | 10.65 % | 10.14 % |
| Normal Salary Increase Rate    | 6.49 %  | 5.40 %  |
| CPI (Consumer Price Inflation) | 5.49 %  | 4.40 %  |
| Net Effective Discount Rate    | 3.90 %  | 2.48 %  |

#### Actuarial basis

GRAP25 requires that the discount rate be set with regards to the market yield on government bonds at the reporting date. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses the current market rates of the appropriate term to discount short term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

For the current valuation we used the nominal and zero curves as at 28 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 6.09 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables.

#### Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.1%.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

| Age Band    | Promotional Increase |
|-------------|----------------------|
| 20 - 24     | 5 %                  |
| 25 - 29     | 4 %                  |
| 30 - 34     | 3 %                  |
| 35 - 39     | 2 %                  |
| 40 - 44     | 1 %                  |
| 45 and over | - %                  |

#### Average Retirement Age

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

#### Normal Retirement Age

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

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

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### 19. Employee benefit obligations (continued)

#### Sensitivity analysis

##### Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turn out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

The table below illustrates the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

|                         | <b>-20%<br/>Withdrawal<br/>rate</b> | <b>Valuation<br/>Assumption</b> | <b>+20%<br/>Withdrawal<br/>rate</b> |
|-------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| Total Accrued Liability | 3,123,000                           | 2,986,000                       | 2,858,000                           |
| Current Service Cost    | 313,000                             | 296,000                         | 281,000                             |
| Interest Cost           | 338,000                             | 322,000                         | 308,000                             |
|                         | <b>3,774,000</b>                    | <b>3,604,000</b>                | <b>3,447,000</b>                    |

##### Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The effect of a 1% p.a. change in the Normal Salary inflation assumption was tested. The effect is as follows:

|                         | <b>-1% Normal<br/>salary<br/>inflation</b> | <b>Valuation<br/>Assumption</b> | <b>+1% Normal<br/>salary<br/>inflation</b> |
|-------------------------|--------------------------------------------|---------------------------------|--------------------------------------------|
| Total Accrued Liability | 2,825,000                                  | 2,986,000                       | 3,161,000                                  |
| Current Service Cost    | 280,000                                    | 296,000                         | 314,000                                    |
| Interest Cost           | 304,000                                    | 322,000                         | 342,000                                    |
|                         | <b>3,409,000</b>                           | <b>3,604,000</b>                | <b>3,817,000</b>                           |

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### 20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Water Services Infrastructure Grant | 6,960,255        | 4,644,375        |
| Municipal Infrastructure Grant      | -                | 2,090,483        |
|                                     | <b>6,960,255</b> | <b>6,734,858</b> |

#### Movement during the year

|                                                             |                  |                  |
|-------------------------------------------------------------|------------------|------------------|
| Balance at the beginning of the year                        | 6,734,859        | 3,859,227        |
| Additions during the year                                   | 298,978,906      | 184,752,870      |
| Income recognition during the year                          | (298,753,510)    | (179,948,013)    |
| transferred to Unspent conditional grants to be surrendered | -                | (1,929,226)      |
|                                                             | <b>6,960,255</b> | <b>6,734,858</b> |

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

### 21. Provisions

#### Reconciliation of provisions - 2024

|                                  | Opening Balance | Change in landfill closure provision | Change in discount factor | Total      |
|----------------------------------|-----------------|--------------------------------------|---------------------------|------------|
| Rehabilitation of Landfill Sites | 39,443,067      | 2,446,662                            | 4,105,628                 | 45,995,357 |

#### Reconciliation of provisions - 2023

|                                  | Opening Balance | Change in landfill closure provision | Change in discount factor | Total      |
|----------------------------------|-----------------|--------------------------------------|---------------------------|------------|
| Rehabilitation of Landfill Sites | 25,714,693      | 10,642,182                           | 3,086,192                 | 39,443,067 |

### 22. Service charges

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Sale of electricity                | 16,729,045        | 21,773,695        |
| Sale of water                      | 2,914,331         | 2,591,297         |
| Sewerage and sanitation charges    | 20,233,785        | 20,349,855        |
| Refuse removal                     | 13,077,979        | 13,201,756        |
| Revenue forgone (Indigent support) | (632,546)         | (603,379)         |
|                                    | <b>52,322,594</b> | <b>57,313,224</b> |

### 23. Rental of facilities and equipment

#### Facilities and equipment

|                      |        |        |
|----------------------|--------|--------|
| Rental of facilities | 67,578 | 61,485 |
|----------------------|--------|--------|

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## Notes to the Annual Financial Statements

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|---------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>24. Interest received (Trading)</b>                                                                  |                   |                   |
| Interest levied on long outstanding municipal accounts                                                  | -                 | 28,982,958        |
| <b>25. Other Income</b>                                                                                 |                   |                   |
| Other income                                                                                            | 492,521           | 1,138,401         |
| <b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b> |                   |                   |
| Burial fee                                                                                              | 130,948           | 130,701           |
| Clearance certificates                                                                                  | 267,072           | 44,813            |
| Connection and reconnection fee                                                                         | 5,111             | 16,383            |
| Tender fees                                                                                             | 21,307            | 15,100            |
| Sundry income                                                                                           | 41,513            | 61,371            |
| Bad debts recovered through prepaid sales                                                               | 26,570            | 624,787           |
| Unallocated receipts collected through prepaid vending                                                  | -                 | 245,246           |
|                                                                                                         | <b>492,521</b>    | <b>1,138,401</b>  |
| <b>26. Investment revenue</b>                                                                           |                   |                   |
| <b>Interest revenue</b>                                                                                 |                   |                   |
| Bank                                                                                                    | 579,656           | 150,898           |
| Interest earned on Eskom Deposits                                                                       | 95,086            | 40,168            |
|                                                                                                         | <b>674,742</b>    | <b>191,066</b>    |
| <b>27. Property rates</b>                                                                               |                   |                   |
| <b>Rates received</b>                                                                                   |                   |                   |
| Residential                                                                                             | 20,038,363        | 18,084,908        |
| Less: Income forgone                                                                                    | (872,751)         | (1,786,960)       |
|                                                                                                         | <b>19,165,612</b> | <b>16,297,948</b> |
| <b>28. Interest income</b>                                                                              |                   |                   |
| Interest received - Property rates                                                                      | 14,523,333        | 13,515,386        |

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## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                              | 2024               | 2023               |
|------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>29. Government grants &amp; subsidies</b>                                                                                 |                    |                    |
| <b>Operating grants</b>                                                                                                      |                    |                    |
| Equitable share                                                                                                              | 86,507,663         | 70,432,000         |
| Finance Management Grant                                                                                                     | 3,000,000          | 3,000,000          |
|                                                                                                                              | <b>89,507,663</b>  | <b>73,432,000</b>  |
| <b>Capital grants</b>                                                                                                        |                    |                    |
| Expanded Public Works Programme Incentive Grant                                                                              | 785,000            | 1,073,000          |
| Water Services Infrastructure Grant                                                                                          | 29,197,512         | 15,888,626         |
| Municipal Infrastructure Grant                                                                                               | 15,449,721         | 23,767,631         |
| Regional Bulk Infrastructure Grant                                                                                           | 194,186,361        | 69,865,383         |
|                                                                                                                              | <b>239,618,594</b> | <b>110,594,640</b> |
|                                                                                                                              | <b>329,126,257</b> | <b>184,026,640</b> |
| <b>Conditional and Unconditional</b>                                                                                         |                    |                    |
| Included in above are the following grants and subsidies received:                                                           |                    |                    |
| Conditional grants received                                                                                                  | 242,618,594        | 113,594,640        |
| Unconditional grants received                                                                                                | 86,507,663         | 70,432,000         |
|                                                                                                                              | <b>329,126,257</b> | <b>184,026,640</b> |
| <b>Equitable Share</b>                                                                                                       |                    |                    |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. |                    |                    |
| Current-year receipts                                                                                                        | 79,772,805         | 68,502,000         |
| Conditions met - transferred to revenue                                                                                      | (86,507,663)       | (70,432,000)       |
| Withheld against prior year unspent grant, as surrender to the Revenue fund                                                  | 6,734,858          | 1,930,000          |
|                                                                                                                              | -                  | -                  |
| <b>Financial Management Grant</b>                                                                                            |                    |                    |
| Current-year receipts                                                                                                        | -                  | 3,000,000          |
| Conditions met - transferred to revenue                                                                                      | -                  | (3,000,000)        |
|                                                                                                                              | -                  | -                  |
| <b>Regional Bulk Infrastructure Grant</b>                                                                                    |                    |                    |
| Current-year receipts                                                                                                        | 197,189,873        | 66,861,871         |
| Conditions met - transferred to revenue                                                                                      | (194,186,361)      | (69,865,383)       |
| Transferred to/(from) receivables                                                                                            | (3,003,512)        | 3,003,512          |
|                                                                                                                              | -                  | -                  |
| Conditions to be met - receivable raised (See note 9)                                                                        |                    |                    |
| <b>Water Services Infrastructure Grant</b>                                                                                   |                    |                    |
| Balance unspent at beginning of year                                                                                         | 4,644,375          | 3,859,227          |
| Current-year receipts                                                                                                        | 36,157,766         | 20,533,000         |
| Conditions met - transferred to revenue                                                                                      | (29,197,512)       | (15,888,626)       |
| Surrendered to National revenue fund                                                                                         | (6,573,600)        | (1,930,000)        |
| To be transferred to National Revenue fund                                                                                   | 1,929,226          | (1,929,226)        |

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## Notes to the Annual Financial Statements

| Figures in Rand                                                                                   | 2024               | 2023               |
|---------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>29. Government grants &amp; subsidies (continued)</b>                                          |                    |                    |
|                                                                                                   | <b>6,960,255</b>   | <b>4,644,375</b>   |
| Conditions still to be met - remain liabilities (see note 20).                                    |                    |                    |
| <b>Expanded Public Works Programme Incentive Grant</b>                                            |                    |                    |
| Current-year receipts                                                                             | 785,000            | 1,073,000          |
| Conditions met - transferred to revenue                                                           | (785,000)          | (1,073,000)        |
|                                                                                                   | -                  | -                  |
| <b>Municipal Infrastructure Grant</b>                                                             |                    |                    |
| Balance unspent at beginning of year                                                              | 2,090,483          | -                  |
| Current-year receipts                                                                             | 15,449,721         | 25,856,000         |
| Conditions met - transferred to revenue                                                           | (15,449,721)       | (23,765,517)       |
| Other                                                                                             | (2,090,483)        | -                  |
|                                                                                                   | -                  | <b>2,090,483</b>   |
| <b>30. Fines, Penalties and Forfeits</b>                                                          |                    |                    |
| Court Traffic Fines                                                                               | -                  | 21,200             |
| <b>31. Revenue</b>                                                                                |                    |                    |
| Service charges                                                                                   | 52,322,594         | 57,313,224         |
| Rental of facilities and equipment                                                                | 67,578             | 61,485             |
| Interest received (trading)                                                                       | 39,081,470         | 28,982,958         |
| Interest income - service charges                                                                 | 492,521            | 1,138,401          |
| Interest received - investment                                                                    | 674,742            | 191,066            |
| Property rates                                                                                    | 19,165,612         | 16,297,948         |
| Interest income - Property rates                                                                  | 14,523,333         | 13,515,386         |
| Government grants & subsidies                                                                     | 329,126,257        | 184,026,640        |
| Fines, Penalties and Forfeits                                                                     | -                  | 21,200             |
|                                                                                                   | <b>455,454,107</b> | <b>301,548,308</b> |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b> |                    |                    |
| Service charges                                                                                   | 52,322,594         | 57,313,224         |
| Rental of facilities and equipment                                                                | 67,578             | 61,485             |
| Interest received (trading)                                                                       | 39,081,470         | 28,982,958         |
| Interest income - service charges                                                                 | 492,521            | 1,138,401          |
| Interest received - investment                                                                    | 674,742            | 191,066            |
|                                                                                                   | <b>92,638,905</b>  | <b>87,687,134</b>  |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>       |                    |                    |
| <b>Taxation revenue</b>                                                                           |                    |                    |
| Property rates                                                                                    | 19,165,612         | 16,297,948         |
| Interest income - Property rates                                                                  | 14,523,333         | 13,515,386         |
| <b>Transfer revenue</b>                                                                           |                    |                    |
| Government grants & subsidies                                                                     | 329,126,257        | 184,026,640        |
| Fines, Penalties and Forfeits                                                                     | -                  | 21,200             |
|                                                                                                   | <b>362,815,202</b> | <b>213,861,174</b> |

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| Figures in Rand                                                    | 2024              | 2023              |
|--------------------------------------------------------------------|-------------------|-------------------|
| <b>32. Employee related costs</b>                                  |                   |                   |
| Basic                                                              | 37,177,379        | 28,812,409        |
| Bonus                                                              | 2,796,911         | 1,664,116         |
| Medical aid - company contributions                                | 3,107,238         | 1,993,395         |
| UIF                                                                | 265,413           | 278,259           |
| SDL                                                                | -                 | 418,277           |
| Leave pay provision charge                                         | -                 | 283,681           |
| Defined contribution plans                                         | 4,872,712         | 4,668,978         |
| Travel, motor car, accommodation, subsistence and other allowances | 1,409,211         | 3,055,868         |
| Overtime payments                                                  | 3,120,112         | 3,943,294         |
| Acting allowances                                                  | 2,150,129         | 2,738,721         |
| Car allowance                                                      | -                 | 108,000           |
| Housing benefits and allowances                                    | 720               | 720               |
| Bargain council                                                    | 16,986            | 17,140            |
| Housing benefits and allowances                                    | 126,000           | 577,350           |
| Standby allowance                                                  | 356,242           | 372,963           |
| Telephone allowance                                                | 170,850           | 125,700           |
| Termination benefits                                               | 269,000           | 320,349           |
|                                                                    | <b>55,838,903</b> | <b>49,379,220</b> |

### Remuneration of MA Sehloho (Technical Director)

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Annual Remuneration            | 545,171          | 535,662          |
| Travel Allowance               | 240,000          | 240,000          |
| Acting Allowance               | 165,206          | 81,189           |
| Subsistence & travel allowance | 190,061          | -                |
| Housing allowance              | 180,000          | 180,000          |
| Other Contributions            | 13,087           | 12,145           |
|                                | <b>1,333,525</b> | <b>1,048,996</b> |

### Remuneration of TD Matile (Chief Finance Officer)

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 689,171          | 679,662          |
| Acting allowance                                | 30,424           | -                |
| Contributions to UIF, Medical and Pension Funds | 10,663           | 2,255            |
| Subsistence and Travelling                      | 49,233           | 69,343           |
| Housing allowance                               | 36,000           | 36,000           |
| Travel allowance                                | 240,000          | 240,000          |
|                                                 | <b>1,055,491</b> | <b>1,027,260</b> |

### Remuneration of KJ Motlhale (Municipal Manager)

|                                                 |          |                |
|-------------------------------------------------|----------|----------------|
| Annual Remuneration                             | -        | 152,882        |
| Travel Allowance                                | -        | 37,368         |
| Contributions to UIF, Medical and Pension Funds | -        | 2,204          |
|                                                 | <b>-</b> | <b>192,454</b> |

### Remuneration of LC Tlokwe (Corporate Services Director)

|                                                  |         |         |
|--------------------------------------------------|---------|---------|
| Annual Remuneration                              | 653,171 | 643,662 |
| Acting allowance                                 | -       | 109,642 |
| Travel allowance                                 | 240,000 | 240,000 |
| Subsistence and Travelling                       | 56,685  | 134,187 |
| Housing allowance                                | 72,000  | 72,000  |
| Contributions to UIF, SDL and Bargaining Council | 11,435  | 12,429  |

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| Figures in Rand                                                                             | 2024             | 2023             |
|---------------------------------------------------------------------------------------------|------------------|------------------|
| <b>32. Employee related costs (continued)</b>                                               | <b>1,033,291</b> | <b>1,211,920</b> |
| <b>33. Remuneration of councillors</b>                                                      |                  |                  |
| Councillors                                                                                 | 6,703,017        | 5,840,589        |
| <b>Remuneration of Councillor BE Seakge (Executive Mayor) - Appointed on 10 August 2016</b> |                  |                  |
| Council allowance                                                                           | 838,575          | 806,066          |
| Cellphone allowance                                                                         | 42,200           | 44,400           |
| Data Allowance                                                                              | 3,719            | -                |
| Contributions to UIF and SDL                                                                | 8,682            | 9,961            |
|                                                                                             | <b>893,176</b>   | <b>860,427</b>   |
| <b>Remuneration of Councillor J Groenewaldt - Appointed on 10 August 2016</b>               |                  |                  |
| Council allowance                                                                           | 237,469          | 191,318          |
| Data allowance                                                                              | 3,719            | -                |
| Cellphone allowance                                                                         | 42,200           | 44,400           |
| Travel allowance                                                                            | 79,156           | 63,773           |
| Contributions to UIF and SDL                                                                | 3,092            | 4,226            |
| Subsistence and Travel                                                                      | -                | 8,698            |
|                                                                                             | <b>365,636</b>   | <b>312,415</b>   |
| <b>Remuneration of Councillor MM Gaebee (Speaker) - Appointed on 12 November 2021</b>       |                  |                  |
| Council allowance                                                                           | 670,861          | 644,853          |
| Data Allowance                                                                              | 3,719            | -                |
| Cellphone allowance                                                                         | 42,200           | 44,400           |
| Contributions to UIF and SDL                                                                | 5,758            | 7,152            |
|                                                                                             | <b>722,538</b>   | <b>696,405</b>   |
| <b>Remuneration of Councillor TS Tebang - Appointed on 12 November 2021</b>                 |                  |                  |
| Council allowance                                                                           | 233,552          | 245,525          |
| Travel allowance                                                                            | 77,851           | 81,842           |
| Cellphone allowance                                                                         | 38,600           | 44,400           |
| Contributions to UIF and SDL                                                                | 3,700            | 5,457            |
| Data Allowance                                                                              | 3,402            | -                |
|                                                                                             | <b>357,105</b>   | <b>377,224</b>   |

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| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

### 33. Remuneration of councillors (continued)

#### Remuneration of Councillor GK Magomo - Appointed on 10 August 2016

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 245,112        | 252,946        |
| Data Allowance               | 3,402          | -              |
| Telephone allowance          | 38,600         | 44,400         |
| Travel allowance             | 80,204         | 84,315         |
| Contributions to UIF and SDL | 3,136          | 4,830          |
|                              | <b>370,454</b> | <b>386,491</b> |

#### Remuneration of Councillor SH Maqhubu - Appointed on 10 July 2019

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 214,933        | 191,318        |
| Data Allowance               | 3,402          | -              |
| Telephone allowance          | 38,600         | 44,400         |
| Travel allowance             | 71,644         | 63,773         |
| Contributions to UIF and SDL | 3,464          | 4,771          |
| Subsistence and Travel       | -              | 13,404         |
|                              | <b>332,043</b> | <b>317,666</b> |

#### Remuneration of Councillor T Molale - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 174,470        | 255,091        |
| Telephone allowance          | 38,600         | 44,400         |
| Contributions to UIF and SDL | 3,168          | 4,898          |
| Data Allowance               | 3,402          | -              |
|                              | <b>219,640</b> | <b>304,389</b> |

#### Remuneration of Councillor LS Setlhare - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 241,697        | 255,091        |
| Telephone allowance          | 38,600         | 44,400         |
| Travel allowance             | 37,560         | -              |
| Contributions to UIF and SDL | 2,842          | 4,248          |
| Data Allowance               | 3,402          | -              |
|                              | <b>324,101</b> | <b>303,739</b> |

#### Remuneration of Councillor J Skeenkamp - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 245,112        | 252,946        |
| Travel allowance             | 80,204         | 84,315         |
| Telephone allowance          | 38,600         | 44,400         |
| Data Allowance               | 3,402          | -              |
| Contributions to UIF and SDL | 3,834          | 5,551          |
|                              | <b>371,152</b> | <b>387,212</b> |

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## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

### 33. Remuneration of councillors (continued)

#### Remuneration of Councillor L Letshabo - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 242,652        | 255,091        |
| Data Allowance               | 3,402          | -              |
| Contributions to UIF and SDL | 3,168          | 4,898          |
| Telephone allowance          | 38,600         | 44,400         |
|                              | <b>287,822</b> | <b>304,389</b> |

#### Remuneration of councillor: TS Maraman

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 242,652        | 255,091        |
| Telephone allowance          | 38,600         | 44,400         |
| Contributions to UIF and SDL | 2,549          | 4,248          |
| Reimbursement                | -              | 1,360          |
| Data Allowance               | 3,402          | -              |
|                              | <b>287,203</b> | <b>305,099</b> |

#### Remuneration of Councillor RM Monyane - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 242,652        | 255,091        |
| Telephone allowance          | 38,600         | 44,400         |
| Contributions to UIF and SDL | 3,168          | 4,898          |
| Data Allowance               | 3,402          | -              |
|                              | <b>287,822</b> | <b>304,389</b> |

#### Remuneration of Councillor Wa Weich - Appointed on 12 November 2021

|                              |                |                |
|------------------------------|----------------|----------------|
| Council allowance            | 214,933        | 191,318        |
| Telephone allowance          | 38,600         | 44,400         |
| Travel allowance             | 71,644         | 63,773         |
| Data Allowance               | 3,402          | -              |
| Contributions to UIF and SDL | 3,464          | 4,771          |
| Subsistence and Travel       | -              | 6,392          |
|                              | <b>332,043</b> | <b>310,654</b> |

#### Ward Committee members stipend

|         |         |         |
|---------|---------|---------|
| Stipend | 407,505 | 559,035 |
|---------|---------|---------|

Councillors ward committee consist of 67 (2023: 68) members who each receive a stipend of R500 monthly from the municipality.

### 34. Depreciation, impairment and amortisation

|                               |            |            |
|-------------------------------|------------|------------|
| Property, plant and equipment | 34,464,362 | 37,368,537 |
|-------------------------------|------------|------------|

### 35. Impairment loss

#### Impairments

|                               |                  |                   |
|-------------------------------|------------------|-------------------|
| Property, plant and equipment | 7,628,083        | 374,220           |
| Investment property           | -                | 10,751,349        |
|                               | <b>7,628,083</b> | <b>11,125,569</b> |

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| Figures in Rand                            | 2024               | 2023              |
|--------------------------------------------|--------------------|-------------------|
| <b>36. Finance costs</b>                   |                    |                   |
| Trade and other payables                   | 28,298,408         | 27,667,549        |
| Finance leases                             | 81,853             | 108,567           |
| Landfill site provision                    | 4,105,629          | 3,086,192         |
| Employee benefits obligations              | 308,000            | 520,000           |
| Interest on advance received               | 268,750            | 259,040           |
|                                            | <b>33,062,640</b>  | <b>31,641,348</b> |
| <b>37. Debt impairment</b>                 |                    |                   |
| Contributions to debt impairment provision | 16,769,166         | 87,968,065        |
| <b>38. Bulk purchases</b>                  |                    |                   |
| Electricity - Eskom                        | 34,314,217         | 30,202,844        |
| Water                                      | 2,245,280          | 6,600,107         |
|                                            | <b>36,559,497</b>  | <b>36,802,951</b> |
| <b>39. Contracted services</b>             |                    |                   |
| <b>Outsourced Services</b>                 |                    |                   |
| Catering Services                          | 988,367            | 568,173           |
| Cleaning Services                          | 373,320            | -                 |
| Internal Auditors                          | 4,714,385          | -                 |
| Professional Staff                         | 387,153            | 196,808           |
| <b>40. General expenses</b>                |                    |                   |
| Advertising                                | 537,704            | 206,017           |
| Audit committee                            | 48,254             | 84,415            |
| Auditors remuneration                      | 19,867,869         | 3,765,685         |
| Bank charges                               | 86,540             | 118,481           |
| Cleaning                                   | 546,773            | 350,664           |
| Commission paid                            | 4,637,501          | 2,225,698         |
| Computer expenses                          | 42,790             | 49,356            |
| Consultants and Professional Services      | 40,683,898         | 25,897,091        |
| Electricity                                | 43,668             | 2,335,831         |
| Fuel and oil                               | 1,661,458          | 1,529,480         |
| Insurance                                  | 543,498            | 524,636           |
| Medical expenses                           | 2,370,735          | 1,404,694         |
| Postage and courier                        | -                  | 2,670             |
| Prepaid vending revenue share              | 85,709             | 7,887,095         |
| Printing and stationery                    | 623,598            | 609,515           |
| Protective clothing                        | 390,127            | 141,738           |
| Repairs and maintenance                    | 12,652,905         | 6,537,598         |
| Security (Guarding of municipal property)  | 2,302,034          | 2,331,288         |
| Subscriptions and membership fees          | 1,690,485          | 1,285,395         |
| Subsistence                                | 4,381,833          | 3,168,555         |
| Telephone and fax                          | 1,229,741          | 1,389,766         |
| Training                                   | 1,668,685          | 1,503,509         |
| Transport and freight                      | 3,401,792          | 1,102,876         |
| Travel - local                             | 592,726            | 2,833,477         |
|                                            | <b>100,090,323</b> | <b>67,285,530</b> |

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| Figures in Rand                                                   | 2024               | 2023               |
|-------------------------------------------------------------------|--------------------|--------------------|
| <b>41. Loss / (Profit ) on disposal of assets and liabilities</b> |                    |                    |
| Loss on disposal of investment property                           | -                  | 21,283             |
| Loss on disposal of property plant and equipment                  | 1,002,532          | 11,174,610         |
| Profit on disposal of biological assets                           | -                  | (161,900)          |
|                                                                   | <b>1,002,532</b>   | <b>11,033,993</b>  |
| <b>42. Fair value adjustments</b>                                 |                    |                    |
| Biological assets - (Fair value model)                            | 296,000            | (2,804,500)        |
| <b>43. Auditors remuneration</b>                                  |                    |                    |
| Fees                                                              | 19,867,869         | 3,765,685          |
| <b>44. Cash generated from operations</b>                         |                    |                    |
| Surplus (deficit)                                                 | 156,652,487        | (38,018,201)       |
| <b>Adjustments for:</b>                                           |                    |                    |
| Depreciation and amortisation                                     | 34,464,362         | 37,368,537         |
| Gain on sale of assets and liabilities                            | 977,633            | 11,033,993         |
| Fair value adjustments                                            | (296,000)          | 2,804,500          |
| Debt impairment                                                   | 16,769,166         | 87,968,065         |
| Bad debts written off                                             | -                  | 7,333              |
| Movements in operating lease assets and accruals                  | -                  | 1,162              |
| Movements in retirement benefit assets and liabilities            | 386,000            | (1,988,000)        |
| Movements in provisions                                           | (4,089,892)        | 3,086,185          |
| <b>Changes in working capital:</b>                                |                    |                    |
| Inventories                                                       | -                  | 44,835             |
| Receivables from exchange transactions                            | (95,085)           | 316,494            |
| Consumer debtors                                                  | (82,985,041)       | (70,306,344)       |
| Other receivables from non-exchange transactions                  | (6,827,853)        | 227,099            |
| Payables from exchange transactions                               | 68,707,797         | 91,475,945         |
| VAT                                                               | (32,841,214)       | (16,182,208)       |
| Unspent conditional grants and receipts                           | 1,299,681          | 1,801,347          |
| Consumer deposits                                                 | (1,223)            | (3,187)            |
|                                                                   | <b>152,120,818</b> | <b>109,637,555</b> |
| <b>45. Commitments</b>                                            |                    |                    |
| <b>Total commitments</b>                                          |                    |                    |
| <b>Total commitments</b>                                          |                    |                    |
| Authorised capital expenditure                                    | -                  | 130,406,656        |

This committed expenditure relates to property, plant and equipment and will be financed through various grants funding.

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|-----------------|------|------|

### 46. Related parties

#### Relationships

Accounting Officers

Interest in related parties

Refer to accounting officers' report note 6

Municipal services rendered to Related Parties are charged at approved tariffs that were advertised to the public. This information is under the heading Councillors

Related party relationship

The municipality's senior officials made the following declarations relating to interest, relationships, directorship and securities held with listed and nonlisted companies.

Councillor BE Seakge (Executive Mayor)

No business interest, shares and / or directorships held

Councillor MM Gaebee (Speaker)

No business interest, shares and / or directorships held

Members of key management

Acting Municipal Manager MA Sehloho (Technical Director)

Chief Finance Officer TD Matile

Corporate Services Director LC Tlokwe

### Remuneration of management

#### Management class: Councillors

Refer to note 33 "Remuneration of councillors"

#### Management class: Executive management

\*Refer to note 32 "Employee related costs"

### 47. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The nature of the error(s) and the effect of the corrections are detailed below.

#### 47.1 Misstatement of Biological assets

In the current year, during the audit of the 2022/23 annual financial statements, we noted that the balance disclosed in the biological asset was incorrect, as movements for the year were not updated. The error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

|                                                                          |   |             |
|--------------------------------------------------------------------------|---|-------------|
| Decrease in Biological assets that form part of an agricultural activity | - | (2,646,600) |
|--------------------------------------------------------------------------|---|-------------|

#### Statement of financial performance

|                                                        |   |           |
|--------------------------------------------------------|---|-----------|
| Decrease in Loss on disposal of assets and liabilities | - | (161,900) |
|--------------------------------------------------------|---|-----------|

|                                            |   |           |
|--------------------------------------------|---|-----------|
| Increase in Loss on fair value adjustments | - | 2,804,500 |
|--------------------------------------------|---|-----------|

|  |   |                  |
|--|---|------------------|
|  | - | <b>2,642,600</b> |
|--|---|------------------|

#### 47.2 Mistatement in Investment properties

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## Notes to the Annual Financial Statements

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|-----------------|------|------|
|-----------------|------|------|

### 47. Prior period errors (continued)

In the current year, during the compilation and reconciliations performed on the asset registers, we noted that investment properties disclosed in the previous year were mistated, as there were errors in the asset registers then. The error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

|                                 |   |             |
|---------------------------------|---|-------------|
| Increase in Investment property | - | 2,943,237   |
| Increase in Accumulated surplus | - | (2,943,237) |
|                                 | - | -           |

### 47.3 Mistatement in Property, plant and equipment

In the current year, during the compilation and reconciliation of the fixed asset registers, we noted that some items of property, plant and equipment that were disclosed in the previous year's annual financial statements were misstated, as there were errors in the asset registers. The error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

|                                                                                                               |   |                   |
|---------------------------------------------------------------------------------------------------------------|---|-------------------|
| Decrease in Property, plant and equipment - Buildings (Cost)                                                  | - | (4,703,984)       |
| Increase in Property, plant and equipment - Buildings (Accumulated depreciation and impairment)               | - | (5,761,087)       |
| Increase in Property, plant and equipment - Computer equipment (Cost)                                         | - | 53,540            |
| Increase in Property, plant and equipment - Computer equipment (Accumulated Depreciation and impairment)      | - | (43,207)          |
| Increase in Property, plant and equipment - Furniture and fixtures (Cost)                                     | - | 120,998           |
| Increase in Property, plant and equipment - Furniture and fixtures (Accumulated depreciation and impairment)  | - | (82,831)          |
| Increase in Property, plant and equipment - Infrastructure (Cost)                                             | - | 9,186,782         |
| Increase in Property, plant and equipment - Infrastructure (Accumulated depreciation and impairment)          | - | (4,323,421)       |
| Increase in Property, plant and equipment - Land (Cost)                                                       | - | 11,566,534        |
| Decrease in Property, plant and equipment - Land (Accumulated depreciation and impairment)                    | - | 14,233,508        |
| Increase in Property, plant and equipment - Motor vehicle (Cost)                                              | - | 456,577           |
| Increase in Property, plant and equipment - Motor vehicle (Accumulated depreciation and impairment)           | - | (372,913)         |
| Increase in Property, plant and equipment - Machinery and equipment (Cost)                                    | - | 213,889           |
| Increase in Property, plant and equipment - Machinery and equipment (Accumulated depreciation and impairment) | - | (168,613)         |
| Increase in Accumulated surplus                                                                               | - | (5,857,800)       |
|                                                                                                               | - | <b>14,517,972</b> |

#### Statement of financial performance

|                                                        |   |                     |
|--------------------------------------------------------|---|---------------------|
| Decrease in Depreciation                               | - | (316,535)           |
| Decrease in Loss on Disposal of Assets and liabilities | - | (148,320)           |
| Decrease in Impairment loss                            | - | (14,053,117)        |
|                                                        | - | <b>(14,517,972)</b> |

### 47.4 Misstatement of Receivables from exchange transactions (Eskom Deposits)

In the current year, we noted that the balance disclosed in the prior year for receivables from exchange transaction was incorrect, due to an error in the Eskom deposit balance which did not agree to the register and the statements. The error has since been rectified and the comparative figures have been restated.

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### 47. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

|                                                                     |   |               |
|---------------------------------------------------------------------|---|---------------|
| Increase in Receivables from exchange transactions - Eskom Deposits | - | 11,160        |
| Decrease in Accumulated surplus                                     | - | 29,009        |
|                                                                     | - | <b>40,169</b> |

#### Statement of financial performance

|                                                                                                  |   |          |
|--------------------------------------------------------------------------------------------------|---|----------|
| Increase in Revenue from exchange transactions - Interest received - investment (Eskom Deposits) | - | (40,168) |
|--------------------------------------------------------------------------------------------------|---|----------|

### 47.5 Misstatement of prior year billing

In the current year we noted overbilling errors in certain consumer accounts, which resulted in the overstatement of prior year revenue recognised on service charges and property rates. The error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

|                                                                                   |   |                    |
|-----------------------------------------------------------------------------------|---|--------------------|
| Decrease in Statutory receivables from non-exchange transactions - Property rates | - | (950,751)          |
| Decrease in Consumer receivables from exchange transactions - Electricity         | - | (62,657)           |
| Decrease in Consumer receivables from exchange transactions - Sewerage            | - | (53,675)           |
| Decrease in Consumer receivables from exchange transactions - Other receivables   | - | (4,521)            |
| Decrease in Consumer receivables from exchange transactions - Water               | - | (9,044)            |
|                                                                                   | - | <b>(1,080,648)</b> |

#### Statement of financial performance

|                                                                                                    |   |                  |
|----------------------------------------------------------------------------------------------------|---|------------------|
| Decrease in Revenue from non-exchange transactions - Taxation revenue (Property rates)             | - | 950,751          |
| Decrease in Revenue from exchange transactions - Service charges (Sale of electricity)             | - | 62,657           |
| Decrease in Revenue from exchange transactions - Service charges (Sewerage and sanitation charges) | - | 53,675           |
| Decrease in Revenue from exchange transactions - Interest received (trading)                       | - | 4,521            |
| Decrease in Revenue from exchange transactions - Service charges (Sale of water)                   | - | 9,044            |
|                                                                                                    | - | <b>1,080,648</b> |

### 47.6 Misstatement of Deviations

In the prior year AFS, the disclosure for deviations was omitted by error. The error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Deviations disclosure note

|                                 |   |                  |
|---------------------------------|---|------------------|
| Sole providers of service/goods | - | 1,460,101        |
| Special/Exceptional cases       | - | 389,188          |
| Emergency repairs               | - | 3,171,048        |
| Urgent Procurement              | - | 1,549,618        |
|                                 | - | <b>6,569,955</b> |

### 47.7 Misstatement in Irregular Expenditure

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### 47. Prior period errors (continued)

In the previous financial years the municipality did not maintain the Irregular Expenditure register that which comprise all irregular expenditures incurred by the municipality, as a result, the accumulative amount of irregular expenditure disclosed in the financial statements was unsupported. Management has since with the available information compiles/reconstructed their irregular expenditure register, that will support the balances disclosed in the financial statements. The prior error has since been rectified and the comparative figures have been restated.

The correction of the error(s) results in adjustments as follows:

#### Irregular expenditure disclosure note

|                                                   |                        |
|---------------------------------------------------|------------------------|
| Decrease in irregular expenditure opening balance | - (196,523,506)        |
| Increase in Irregular Expenditure - current       | - 725,648              |
|                                                   | - <b>(195,797,858)</b> |

### 47.8 Misstatement in Cash Flow Statement

The Cash Flow Statement disclosed in the prior year financial statement was misstated as a result of error in the statement of financial position and statement of financial performance which have been restated in the current year. The error has since been rectified and the comparative figures have been restated.

#### Cash flows from operating activities

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Decrease in Receipts from Sale of goods and services | - (10,541,248)      |
| Decrease in Receipts from Grants                     | - (3,003,512)       |
| Increase in Receipts from Interest income            | - 40,168            |
| Increase in Payments to Suppliers                    | - 13,533,603        |
| Increase in Payments on Finance costs                | - 60,627,636        |
|                                                      | - <b>60,656,647</b> |

#### Cash flows from investing activities

|                                                       |            |
|-------------------------------------------------------|------------|
| Decrease in Purchase of property, plant and equipment | - (29,010) |
|-------------------------------------------------------|------------|

### 48. Comparative figures

Certain comparative figures have been reclassified.

In the current financial year, we noted that community infrastructure assets were incorrectly mapped into Buildings. Thus, overstating the buildings cost and accumulated depreciation balance and understating the infrastructure asset balance as disclosed in the property, plant and equipment note in the financial statement. This has since been rectified.

The effects of the reclassification are as follows:

#### Statement of financial performance

|                                                                                  |                       |
|----------------------------------------------------------------------------------|-----------------------|
| Decrease in Property, plant and equipment - Buildings (Cost)                     | - (29,590,110)        |
| Decrease in Property, plant and equipment - Buildings (Accumulated Depreciation) | - 12,340,631          |
|                                                                                  | - <b>(17,249,479)</b> |

### 49. Risk management

#### Financial 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.

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### 49. Risk management (continued)

#### 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                                 | 2024       | 2023      |
|------------------------------------------------------|------------|-----------|
| Receivables from exchange transactions               | 1,077,531  | 1,077,531 |
| Statutory receivables from non-exchange transactions | 12,526,788 | 6,649,686 |
| Consumer receivables from exchange transactions      | 80,500,365 | 6,777,259 |
| Cash and cash equivalents                            | 528,162    | 2,989,713 |

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of Eskom (SOC) Ltd. Refer to note 10 for additional details.

#### Market risk

#### Interest rate risk

### 50. Going concern

We draw attention to the fact that at 30 June, 2024, the municipality had an accumulated surplus of R 856,799,562 and that the municipality's total assets exceed its liabilities by R 856,799,562.

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

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

Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The municipality's current liabilities exceed its current assets by R354,155,950 (R273,985,135 in 2023) which indicates a current asset ratio of 0.18 which is below the required norm.

The municipality incurred a deficit of R51,495,694 during the year (R124,859,371 in 2023)

The creditors payment days of the municipality is currently 1,089 days (864 days in 2023).

The provision for impairment on consumer debts as a percentage of accounts receivable is currently 98.23% (95.90% in 2023). The debtors collection period is currently 365+ days (365+ days in 2023).

The provision for impairment on consumer debts as a percentage of accounts receivable is currently 89.43% (85.93% in 2023). The debtors collection period is currently 365+ days (365+ days in 2023).

Outstanding amounts owed to Eskom at year-end is currently R241,532,270 (R187,437,979 in 2023) and to DWA R69,844,193 (R50,443,299 in 2023).

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

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### 50. Going concern (continued)

Unspent conditional grants balance of R6,734,859 (R3,859,227 in 2023) are not cash backed by the available Cash and cash equivalents balance of R2,989,713 (R328,341 in 2023). Irregular expenditure in the current year increased by R11,844,548 (R66,615,396 in 2023).

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. However, management has developed the following plan of action to deal with the going concern uncertainties.

- The municipality is planning to move to a pre-paid system for the supply of water and electricity which will enhance the revenue and debt collection and inter-alia improve the cashflow of the municipality.
- The municipality is implementing cost containment measures, by which unnecessary spending will be avoided to achieve savings, and thus reduce the municipality's burden towards its creditors.
- The municipality has implemented stricter measures in ensuring that funds for conditional grants are safeguarded in their own allocated investments accounts upon receipt of those funds and the withdrawal thereof will only be when to be spent for the purpose of the grant.

### 51. Events after the reporting date

No events after reporting date were noted to date.

### 52. Unauthorised expenditure

|                                        |             |             |
|----------------------------------------|-------------|-------------|
| Opening balance as previously reported | 687,905,120 | 687,905,120 |
|----------------------------------------|-------------|-------------|

### 53. Fruitless and wasteful expenditure

|                                                              |                   |                   |
|--------------------------------------------------------------|-------------------|-------------------|
| Opening balance as previously reported                       | 68,764,686        | 51,314,282        |
| Add: Fruitless and wasteful expenditure identified - current | -                 | 17,450,404        |
| <b>Closing balance</b>                                       | <b>68,764,686</b> | <b>68,764,686</b> |

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|-----------------------------------------------------------------------------------|------------------------------------------------------|--------------------|------------|
| <b>53. Fruitless and wasteful expenditure (continued)</b>                         |                                                      |                    |            |
| <b>Details of fruitless and wasteful expenditure</b>                              |                                                      |                    |            |
|                                                                                   | <b>Disciplinary steps taken/criminal proceedings</b> |                    |            |
| Interest on overdue account                                                       | No steps taken, pending investigations outcome       | -                  | 17,450,404 |
| <b>54. Irregular expenditure</b>                                                  |                                                      |                    |            |
| Opening balance as previously reported                                            | 254,583,526                                          | 438,536,836        |            |
| Correction of prior period error                                                  | -                                                    | (196,523,506)      |            |
| <b>Opening balance as restated</b>                                                | <b>254,583,526</b>                                   | <b>242,013,330</b> |            |
| Add: Irregular Expenditure - current                                              | 10,988,167                                           | 12,570,196         |            |
| <b>Closing balance</b>                                                            | <b>265,571,693</b>                                   | <b>254,583,526</b> |            |
| <b>Incidents/cases identified in the current year include those listed below:</b> |                                                      |                    |            |
|                                                                                   | <b>Disciplinary steps taken/criminal proceedings</b> |                    |            |
| Competitive bidding or 3 quotations not invited                                   | No steps taken, pending investigations outcome       | 10,988,167         | 12,570,196 |

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|-------------------------------------------------------------------------------|------------------|-------------------|
| <b>55. Additional disclosure in terms of Municipal Finance Management Act</b> |                  |                   |
| <b>Contributions to organised local government</b>                            |                  |                   |
| Opening balance                                                               | 400,000          | -                 |
| Current year subscription / fee                                               | 1,529,315        | 1,262,593         |
| Amount paid - current year                                                    | (758,188)        | (861,787)         |
|                                                                               | <b>1,171,127</b> | <b>400,806</b>    |
| <b>Distribution losses</b>                                                    |                  |                   |
| <b>Water Distribution Losses (Mega litres)</b>                                |                  |                   |
| Mega litres purchased                                                         | 1,332,863        | 1,234,132         |
| Mega litres sold                                                              | (386,576)        | (214,969)         |
| <b>Mega litres losses</b>                                                     | <b>946,287</b>   | <b>1,019,163</b>  |
| % losses                                                                      | 71.00            | 82.58             |
| Average cost per unit                                                         | 5.07             | 4.83              |
| Loss in Rand value                                                            | 4,797,675        | 4,921,297         |
| <b>Electricity distribution losses (KWh)</b>                                  |                  |                   |
| KWh purchased                                                                 | 13,722,794       | 13,069,328        |
| KWh sold                                                                      | (9,411,918)      | (8,963,731)       |
| <b>KWh losses</b>                                                             | <b>4,310,876</b> | <b>4,105,597</b>  |
| % losses                                                                      | 31.00            | 31.00             |
| Average cost per KWh unit                                                     | 2.96             | 2.82              |
| Loss in Rand value                                                            | 12,156,672       | 11,577,783        |
| <b>Audit fees</b>                                                             |                  |                   |
| Opening balance                                                               | 5,031,275        | 7,505,437         |
| Current year subscription / fee                                               | 3,953,969        | 3,765,685         |
| Amount paid - previous years                                                  | (4,566,754)      | (6,239,847)       |
|                                                                               | <b>4,418,490</b> | <b>5,031,275</b>  |
| <b>PAYE, UIF and SDL</b>                                                      |                  |                   |
| Current year subscription / fee                                               | 8,069,689        | 7,685,418         |
| <b>Pension and Medical Aid Deductions</b>                                     |                  |                   |
| Opening balance                                                               | 10,703,626       | -                 |
| Current year subscription / fee                                               | 5,351,813        | 10,703,626        |
| Amount paid - previous years                                                  | (6,385,564)      | -                 |
|                                                                               | <b>9,669,875</b> | <b>10,703,626</b> |

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|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b> |                   |                   |
| <b>VAT</b>                                                                                |                   |                   |
| VAT receivable                                                                            | 60,995,749        | 139,182,385       |
| VAT payable                                                                               | (5,631,277)       | (100,000,000)     |
|                                                                                           | <b>55,364,472</b> | <b>39,182,385</b> |

VAT output payables and VAT input receivables are shown in note 7.

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

### 56. Deviation from supply chain management regulations

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

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

#### Incidents

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Sole providers of service/goods | 1,373,511        | 1,460,101        |
| Special/Exceptional cases       | 337,812          | 389,188          |
| Emergency repairs               | 2,396,690        | 3,171,048        |
| Urgent Procurement              | 1,381,782        | 1,549,618        |
|                                 | <b>5,489,795</b> | <b>6,569,955</b> |

### 57. Segment information

#### General information

##### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

##### Aggregated segments

The municipality operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

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### 57. Segment information (continued)

#### Types of goods and/or services by segment

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

##### Reportable segment

Segment 1 - Technical services

Segment 2 - Governance and Administration

Segment 3

Segment 4

Segment 5

Segment 6

Segment 7

Segment 8

Segment 9

Segment 10

##### Goods and/or services

Municipal basic services

Administrative, ad-hoc and management services

Tertiary education services

Goods and/or services 1

Goods and/or services 2

Goods and/or services 3

Goods and/or services 4

Goods and/or services 5

Goods and/or services 6

Goods and/or services 7

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### 57. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2024

#### Revenue

Revenue from exchange transactions - Rental of facilities and equipment  
Revenue from exchange transactions - Interest revenue  
Revenue from exchange transactions - Other income  
Revenue from exchange transactions - Service charges (Sale of electricity)  
Revenue from non-exchange transactions - Fines, Penalties and Forfeits

| Segment 1  | Segment 2 | Total      |
|------------|-----------|------------|
| -          | 61,485    | 61,485     |
| 28,982,958 | 150,898   | 29,133,856 |
| -          | 1,138,401 | 1,138,401  |
| 21,773,695 | -         | 21,773,695 |
| 21,200     | -         | 21,200     |

#### Total segment revenue

|                   |                  |                   |
|-------------------|------------------|-------------------|
| <b>50,777,853</b> | <b>1,350,784</b> | <b>52,128,637</b> |
|-------------------|------------------|-------------------|

#### Entity's revenue

#### Expenditure

Salaries and wages  
Remuneration of councillors  
Finance costs  
Depreciation and amortisation

|            |            |            |
|------------|------------|------------|
| 38,177,929 | 11,201,291 | 49,379,220 |
| -          | 5,840,589  | 5,840,589  |
| 31,012,781 | 628,567    | 31,641,348 |
| 37,685,072 | -          | 37,685,072 |

#### Total segment expenditure

|                    |                   |                    |
|--------------------|-------------------|--------------------|
| <b>106,875,782</b> | <b>17,670,447</b> | <b>124,546,229</b> |
|--------------------|-------------------|--------------------|

#### Total segmental surplus/(deficit)

|                     |                     |                     |
|---------------------|---------------------|---------------------|
| <b>(56,097,929)</b> | <b>(16,319,663)</b> | <b>(72,417,592)</b> |
|---------------------|---------------------|---------------------|

#### Assets

Segment assets

|             |             |               |
|-------------|-------------|---------------|
| 984,770,951 | 167,771,314 | 1,152,542,265 |
|-------------|-------------|---------------|

#### Total assets as per Statement of financial Position

|  |  |                      |
|--|--|----------------------|
|  |  | <b>1,152,542,265</b> |
|--|--|----------------------|

#### Liabilities

Segment liabilities

|            |             |             |
|------------|-------------|-------------|
| 15,167,685 | 456,834,411 | 472,002,096 |
|------------|-------------|-------------|

#### Total liabilities as per Statement of financial Position

|  |  |                    |
|--|--|--------------------|
|  |  | <b>472,002,096</b> |
|--|--|--------------------|

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### 57. Segment information (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2023

|                                                                         | Segment 1           | Segment 2           | Total                |
|-------------------------------------------------------------------------|---------------------|---------------------|----------------------|
| <b>Revenue</b>                                                          |                     |                     |                      |
| Revenue from exchange transactions - Rental of facilities and equipment | -                   | 268,376             | 268,376              |
| Revenue from exchange transactions - Interest revenue                   | 21,556,661          | 105,962             | 21,662,623           |
| Revenue from exchange transactions - Other revenue                      | -                   | 878,415             | 878,415              |
| Revenue from non-exchange transactions - Fines, Penalties and Forfeits  | 163,769             | -                   | 163,769              |
| Fair value adjustments                                                  | -                   | 101,300             | 101,300              |
| <b>Total segment revenue</b>                                            | <b>21,720,430</b>   | <b>1,354,053</b>    | <b>23,074,483</b>    |
| <b>Entity's revenue</b>                                                 |                     |                     | <b>23,074,483</b>    |
| <b>Expenditure</b>                                                      |                     |                     |                      |
| Salaries and wages                                                      | 34,756,645          | 19,049,580          | 53,806,225           |
| Remuneration of councillors                                             | -                   | 4,408,691           | 4,408,691            |
| Depreciation and amortisation                                           | 37,991,565          | -                   | 37,991,565           |
| Finance costs                                                           | 12,419,706          | 471,606             | 12,891,312           |
| <b>Total segment expenditure</b>                                        | <b>85,167,916</b>   | <b>23,929,877</b>   | <b>109,097,793</b>   |
| <b>Total segmental surplus/(deficit)</b>                                | <b>(63,447,486)</b> | <b>(22,575,824)</b> | <b>(86,023,310)</b>  |
| <b>Assets</b>                                                           |                     |                     |                      |
| Segment assets                                                          | 1,006,894,110       | 87,189,009          | 1,094,083,119        |
| <b>Total assets as per Statement of financial Position</b>              |                     |                     | <b>1,094,083,119</b> |
| <b>Liabilities</b>                                                      |                     |                     |                      |
| Segment liabilities                                                     | 11,134,682          | 353,555,175         | 364,689,857          |
| <b>Total liabilities as per Statement of financial Position</b>         |                     |                     | <b>364,689,857</b>   |

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### 57. Segment information (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

#### Measurement of segment surplus or deficit, assets and liabilities

#### Basis of accounting for transactions between reportable segments

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

#### The nature and effect of any asymmetrical allocations to reportable segments

An municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.

#### Information about geographical areas

The municipality's operations are in the Western Free State Province.

### 58. Budget differences

#### Material differences between budget and actual amounts

58.1 - The municipality anticipated lesser revenue on service charges due to load-shedding implementations that causes water supply interruptions, hence under budgeted.

58.2 - The municipality anticipated to more revenue on rentals than actual as it was anticipated that the economy recovery will boost the income post COVID-19 impact on the economy

58.3 - The municipality anticipated lesser interest would be levied on outstanding consumer account as there were expectations that more recovery will be achieved on outstanding consumer debtors accounts.

58.4 - The municipality anticipated to receive less revenue on other income based on normal stream of income generation, however more income was received from the newly implemented prepaid vending system.

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### 58. Budget differences (continued)

58.5 - The municipality did not budget for interest received in the current year due to cashflow challenges.

59.6 - The municipality anticipated lesser property rates revenue than actual.

59.7 - Included in the budget for interest, is interest levied on outstanding property rates accounts which is included in the interest revenue from exchange transactions.

58.8 - The municipality anticipated to spend more on Capital grants funded by DWA.

58.9 - The municipality anticipated to collect more revenue on traffic fines.

58.10 - The municipality anticipated to spend more on employee costs as plans were underway to fill some of the vacant posts.

58.11 - The municipality anticipated to have less depreciation expense in the current year due to correction of errors in the asset register.

58.12 - The municipality did not budget for impairment losses.

58.13 - The budgeted finance cost expense excluded interest on landfill sites provisions.

58.14 - The municipality did not budget for lease rentals on operating lease.

58.15 - The municipality anticipated a lower debt impairment movement, as compared to actual.

58.16 - The municipality did not budget for the write-off of debtors.

58.17 - The municipality anticipated a lesser expenditure on bulk purchases, due to load-shedding that has been implemented which causes interruptions in water supply.

58.18 - The municipality anticipated more expenditure on contracted services than actual.

58.19 - The municipality anticipated a decline in general expenses, due to cost cutting measures.

58.20 - The municipality did not budget for losses on disposal of assets

58.21 - The municipality did not budget for fair value adjustments

58.22 - The municipality did not budget for actuarial gains/losses.

58.23 - The municipality did not budget for gains on biological assets.

### 59. Accounting by principals and agents

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

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

Mafumu sells pre-paid electricity on behalf of the municipality to its locals.

The municipality is the principal OR agent. Refer to note for significant judgements applied in making this assessment.

#### Entity as principal

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

The resources have been recognised by the agent in its financial statements.

#### Fee paid

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### 59. Accounting by principals and agents (continued)

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Fee paid as compensation to the agent | 4,637,501 | 2,225,698 |
|---------------------------------------|-----------|-----------|

The following are fees paid to the agent:

- Revenue share
- Commission fee
- Interest on advance amount

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]