



TSWELOPELE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2024

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996).
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act no. 27 of 1998), providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Mayoral committee	
Executive Mayor	KR Phukuntsi
Councillors	MW Raseu (Speaker) JM Radienyane (Exco member) EJ Pretorius (Exco member) SH Gaebee (Chairperson: Section 79 committee) MS Baleni MM Syner TA Soaisa EG Pretorius MA Muller MJ Noosi WM Nkomo MC Mphatsoe KP Dial TS Shuping MJ Rabannye RA Potsanyane NS Twana (Deceased: 17 January 2024)
Grading of local authority	2
Accounting Officer	MLE Leseane
Chief Finance Officer (CFO)	TJ Matyesini
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	P.O. Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited Nedbank
Municipal demarcation code	FS183

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations used:

CRR	Capital Replacement Value
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act no. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 4 - 94, 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:

MLE Leseane
Accounting Officer

TSWELOPELE LOCAL MUNICIPALITY

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 Restated*
Assets			
Current Assets			
Inventories	3	1 241 771	472 270
Other receivables from exchange transactions	4	6 729 336	2 919 654
Receivables from non-exchange transactions	5	25 997 651	19 833 669
VAT accrual	6	20 788 247	16 137 927
Receivables from exchange transactions	7	28 588 330	27 733 355
Cash and cash equivalents	8	17 679 531	10 480 743
		101 024 866	77 577 618
Non-Current Assets			
Biological assets	9	805 000	705 100
Investment property	10	102 223 273	102 570 632
Property, plant and equipment	11	610 869 710	592 688 536
Other financial assets	12	1 629 742	1 357 961
Receivables from non-exchange transactions	13	95 434	51 556
Receivables from exchange transactions	13	649 023	313 785
		716 272 182	697 687 570
Total Assets		817 297 048	775 265 188
Liabilities			
Current Liabilities			
Other financial liabilities	14	7 100 025	3 816 886
Finance lease obligation	15	-	375 888
Payables from exchange transactions	16	207 938 572	157 329 955
Consumer deposits	17	1 814 318	1 663 231
Employee benefit obligation	18	1 481 455	644 312
Unspent conditional grants and receipts	19	4 576 291	4 614 992
		222 910 661	168 445 264
Non-Current Liabilities			
Other financial liabilities	14	-	2 429 631
Employee benefit obligation	18	8 184 486	7 666 794
Provisions	20	60 628 495	58 596 561
		68 812 981	68 692 986
Total Liabilities		291 723 642	237 138 250
Net Assets		525 573 406	538 126 938
Accumulated surplus		525 573 406	538 126 938
Total Net Assets		525 573 406	538 126 938

* See Note 52

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	71 131 148	62 018 375
Rental of facilities and equipment	22	1 644 369	1 854 104
Licences and permits	23	93 896	133 405
Operational revenue	24	1 469 256	3 873 446
Interest received - investment	25	3 244 454	1 934 365
Dividends received	25	141 015	116 750
Total revenue from exchange transactions		77 724 138	69 930 445
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	32 243 757	30 501 310
Availability charges	27	427 375	397 567
Interest - Property revenue	28	6 820 191	6 271 001
Transfer revenue			
Government grants and subsidies	29	164 010 859	173 685 563
Public contributions and donations	30	3 332 827	2 383 148
Fines and penalties	31	950 700	760 550
Debt forgiveness	32	13 311 262	2 787 690
Total revenue from non-exchange transactions		221 096 971	216 786 829
Total revenue		298 821 109	286 717 274
Expenditure			
Employee related costs	33	(92 336 697)	(79 693 676)
Remuneration of councillors	34	(6 993 153)	(6 491 480)
Community donations	35	(4 946 058)	(11 119 285)
Depreciation and amortisation	36	(25 443 269)	(30 378 645)
Finance costs	37	(21 528 945)	(15 628 455)
Lease rentals on operating lease		(215 046)	(158 209)
Debt impairment	38	(17 552 414)	(10 770 755)
Impairment of assets	39	(3 599 363)	(454 719)
Bulk purchases	40	(59 438 165)	(50 233 536)
Contracted services	41	(19 181 479)	(13 842 603)
General expenses	42	(55 882 687)	(51 446 532)
Total expenditure		(307 117 276)	(270 217 895)
Operating (deficit) surplus		(8 296 167)	16 499 379
Loss on disposal of assets and liabilities	44	(3 378 084)	(12 384 162)
Fair value adjustments	43	777 834	181 914
Actuarial gains/losses	18	(1 757 015)	419 043
Gain (loss) on biological assets and agricultural produce	9	99 900	(609 800)
		(4 257 365)	(12 393 005)
(Deficit) surplus for the year		(12 553 532)	4 106 374

* See Note 52

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	524 792 421	524 792 421
Adjustments		
Correction of errors note (Note 52)	9 228 143	9 228 143
Balance at 01 July 2022 as restated*	534 020 564	534 020 564
Changes in net assets		
Surplus for the year	4 106 374	4 106 374
Total changes	4 106 374	4 106 374
Balance at 01 July 2023	538 126 938	538 126 938
Changes in net assets		
Surplus for the year	(12 553 532)	(12 553 532)
Total changes	(12 553 532)	(12 553 532)
Balance at 30 June 2024	525 573 406	525 573 406

* See Note 52

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		26 210 638	20 340 750
Sale of goods and services		54 702 536	46 014 816
Grants		163 972 158	178 300 555
Interest income		3 138 298	1 875 846
Dividends or similar distributions received		141 015	116 750
		<u>248 164 645</u>	<u>246 648 717</u>
Payments			
Employee costs		(98 429 828)	(88 130 390)
Suppliers		(88 459 629)	(82 828 772)
		<u>(186 889 457)</u>	<u>(170 959 162)</u>
Net cash flows from operating activities	45	<u>61 275 188</u>	<u>75 689 555</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(53 674 544)	(68 017 233)
Cash flows from financing activities			
Finance lease payments		(401 856)	(430 098)
Repayment of other financial liabilities		-	(1 340 709)
Net cash flows from financing activities		<u>(401 856)</u>	<u>(1 770 807)</u>
Net increase/(decrease) in cash and cash equivalents		7 198 788	5 901 515
Cash and cash equivalents at the beginning of the year		10 480 743	4 579 228
Cash and cash equivalents at the end of the year	8	<u>17 679 531</u>	<u>10 480 743</u>

The accounting policies on pages 11 to 44 and the notes on pages 45 to 94 form an integral part of the annual financial statements.

* See Note 52

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Service charges	79 081 000	-	79 081 000	71 558 523	(7 522 477)	A1
Rental of facilities and equipment	1 090 000	-	1 090 000	1 644 369	554 369	A2
Licences and permits	80 000	-	80 000	93 896	13 896	A3
Operational revenue	2 490 000	100 000	2 590 000	1 469 256	(1 120 744)	A4
Interest received - investment	1 300 000	1 050 000	2 350 000	3 244 454	894 454	A5
Dividends received	130 000	60 000	190 000	141 015	(48 985)	A6
Total revenue from exchange transactions	84 171 000	1 210 000	85 381 000	78 151 513	(7 229 487)	
Revenue from non-exchange transactions						
Property rates	29 557 000	-	29 557 000	32 243 757	2 686 757	A7
Interest - property revenue	300 000	-	300 000	6 820 191	6 520 191	A8
Government grants and subsidies	100 277 000	1 215 000	101 492 000	164 010 859	62 518 859	A9
Public contributions and donations	-	-	-	3 332 827	3 332 827	A10
Fines and penalties	666 000	150 000	816 000	950 700	134 700	A11
Debt forgiveness	-	-	-	13 311 262	13 311 262	A12
Total revenue from non-exchange transactions	130 800 000	1 365 000	132 165 000	220 669 596	88 504 596	
Total revenue	214 971 000	2 575 000	217 546 000	298 821 109	81 275 109	
Expenditure						
Employee related costs	(88 639 000)	(813 000)	(89 452 000)	(92 336 697)	(2 884 697)	
Remuneration of councillors	(6 226 000)	-	(6 226 000)	(6 993 153)	(767 153)	A13
Community donations	-	-	-	(4 946 058)	(4 946 058)	A14
Depreciation and amortisation	(20 000 000)	-	(20 000 000)	(25 443 269)	(5 443 269)	A15
Finance costs	(2 500 000)	500 000	(2 000 000)	(21 528 945)	(19 528 945)	A16
Lease rentals	-	-	-	(215 046)	(215 046)	A17
Debt impairment	(13 000 000)	-	(13 000 000)	(17 552 414)	(4 552 414)	A18
Impairment of assets	-	-	-	(3 599 363)	(3 599 363)	A19
Bulk purchases	(49 933 000)	1 094 000	(48 839 000)	(59 438 165)	(10 599 165)	A20
Contracted services	(43 174 000)	2 220 000	(40 954 000)	(19 181 479)	21 772 521	A21
General expenses	(21 431 000)	(6 896 000)	(28 327 000)	(55 882 687)	(27 555 687)	A22
Total expenditure	(244 903 000)	(3 895 000)	(248 798 000)	(307 117 276)	(58 319 276)	
Operating deficit	(29 932 000)	(1 320 000)	(31 252 000)	(8 296 167)	22 955 833	
Loss on disposal of assets	-	-	-	(3 378 084)	(3 378 084)	A23
Fair value adjustments	-	-	-	777 834	777 834	A24
Actuarial gains/losses	-	-	-	(1 757 015)	(1 757 015)	A25
Gain on biological assets	-	-	-	99 900	99 900	A26
	-	-	-	(4 257 365)	(4 257 365)	
Deficit before taxation	(29 932 000)	(1 320 000)	(31 252 000)	(12 553 532)	18 698 468	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	753 000	(1 325 000)	(572 000)	1 241 771	1 813 771	B1
Other receivables from exchange transactions	-	-	-	6 729 336	6 729 336	B2
Receivables from non-exchange transactions	1 505 000	150 000	1 655 000	25 997 651	24 342 651	B3
VAT receivable	5 331 000	-	5 331 000	20 788 253	15 457 253	B4
Receivables from exchange transactions	105 691 000	-	105 691 000	28 588 330	(77 102 670)	B5
Cash and cash equivalents	20 897 000	(825 000)	20 072 000	17 679 531	(2 392 469)	B6
	134 177 000	(2 000 000)	132 177 000	101 024 872	(31 152 128)	
Non-Current Assets						
Biological assets	1 373 000	-	1 373 000	805 000	(568 000)	B7
Investment property	110 039 000	-	110 039 000	102 223 273	(7 815 727)	
Property, plant and equipment	591 327 000	20 585 000	611 912 000	610 869 710	(1 042 290)	
Other financial assets	-	-	-	1 629 742	1 629 742	B8
Receivables from non-exchange transactions	-	-	-	95 434	95 434	B9
Receivables from exchange transactions	-	-	-	649 023	649 023	B10
	702 739 000	20 585 000	723 324 000	716 272 182	(7 051 818)	
Total Assets	836 916 000	18 585 000	855 501 000	817 297 054	(38 203 946)	
Liabilities						
Current Liabilities						
Other financial liabilities	2 637 000	-	2 637 000	7 100 025	4 463 025	B11
Payables from exchange transactions	123 560 000	(867 000)	122 693 000	207 938 572	85 245 572	B12
Consumer deposits	1 512 000	-	1 512 000	1 814 318	302 318	B13
Employee benefit obligation	822 000	-	822 000	1 481 455	659 455	B14
Unspent conditional grants and receipts	-	-	-	4 576 291	4 576 291	B15
	128 531 000	(867 000)	127 664 000	222 910 661	95 246 661	
Non-Current Liabilities						
Other financial liabilities	5 853 000	-	5 853 000	-	(5 853 000)	B16
Employee benefit obligation	7 525 000	-	7 525 000	8 184 486	659 486	
Provisions	41 077 000	-	41 077 000	60 628 495	19 551 495	B17
	54 455 000	-	54 455 000	68 812 981	14 357 981	
Total Liabilities	182 986 000	(867 000)	182 119 000	291 723 642	109 604 642	
Net Assets	653 930 000	19 452 000	673 382 000	525 573 412	(147 808 588)	
Reserves						
Accumulated surplus	653 930 000	19 452 000	673 382 000	525 573 406	(147 808 594)	

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	-	-	-	26 210 638	26 210 638	C1
Sale of goods and services	75 126 000	-	75 126 000	54 702 536	(20 423 464)	C1
Grants	138 260 000	-	138 260 000	163 972 158	25 712 158	C1
Dividends received	1 300 000	1 240 000	2 540 000	141 015	(2 398 985)	C1
Interest income	3 146 000	100 000	3 246 000	3 138 298	(107 702)	C1
	217 832 000	1 340 000	219 172 000	248 164 645	28 992 645	
Payments						
Suppliers and employees	(205 762 000)	390 000	(205 372 000)	(186 889 457)	18 482 543	C1
Finance costs	(2 500 000)	-	(2 500 000)	-	2 500 000	C1
	(208 262 000)	390 000	(207 872 000)	(186 889 457)	20 982 543	
Net cash flows from operating activities	9 570 000	1 730 000	11 300 000	61 275 188	49 975 188	
Cash flows from investing activities						
Purchase of property, plant and equipment	(40 838 000)	-	(40 838 000)	(53 674 544)	(12 836 544)	C1
Proceeds from sale of property, plant and equipment	500 000	500 000	1 000 000	-	(1 000 000)	C1
Net cash flows from investing activities	(40 338 000)	500 000	(39 838 000)	(53 674 544)	(13 836 544)	
Cash flows from financing activities						
Finance lease payments	-	-	-	(401 856)	(401 856)	C1
Net increase/(decrease) in cash and cash equivalents	(30 768 000)	2 230 000	(28 538 000)	7 198 788	35 736 788	C1
Cash and cash equivalents at the beginning of the year	21 073 000	-	21 073 000	10 480 743	(10 592 257)	
Cash and cash equivalents at the end of the year	(9 695 000)	2 230 000	(7 465 000)	17 679 531	25 144 531	

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

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

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

Material 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.

1.5 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

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

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

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

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 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. 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.

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 20 - Provisions.

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

The municipality has an obligation to rehabilitate its landfill sites in terms of its licensing stipulations. Provision is made for this obligation based on the net present value of cost.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on the pattern in which an assets' future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vice-versa.

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 18.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

1.6 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

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

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

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

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

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

1.7 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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.7 Investment property (continued)

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.

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

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

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

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:

- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation) is classified as investment properties;
- A building that is owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases is classified as investment properties.
- A building that is vacant but is held to be leased out under one or more operating lease on a commercial basis to external parties is classified as investment properties.

The following assets do not fall in the ambit of investment properties and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generated cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families; and
- Property held for strategic purposes or service delivery.

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Infrastructure	Straight-line	2-100 years
Community assets	Straight-line	5-100 years
Other property, plant and equipment	Straight-line	3-100 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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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 11).

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

In accordance with standards of GRAP, the landfill sites and borrowing pits (included under community assets) is depreciated over their determined remaining useful lives.

1.9 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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 uncollectability.

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

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

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity 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. The amortised cost of a 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 differences between the initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

The amortised cost of a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation.

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.

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

Gains and losses

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

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

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.10 Financial instruments (continued)

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

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.

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.

1.11 Statutory receivables

Identification

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

Recognition

Statutory receivables are recognised when the related revenue (exchange and non-exchange revenue) is recognised or when the receivable meets the definition of an asset.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.11 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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 - 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.

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Accounting Policies

1.12 Leases (continued)

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

Operating leases - lessor

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

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

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

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.

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

Any contingent rents are recognised separately as revenue in the period in which they are incurred.

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.

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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

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.

Designation

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

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

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

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

Identification

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

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

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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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.

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.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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.

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 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.

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Accounting Policies

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

Designation

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

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

Identification

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

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

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.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

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

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.

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

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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Accounting Policies

1.16 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.16 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.16 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post-retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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Accounting Policies

1.16 Employee benefits (continued)

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

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.

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Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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.

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

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Accounting Policies

1.17 Provisions and contingencies (continued)

A contingent liability is a present obligation that arises from past events but is not recognised because:

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

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.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Provisions and contingencies (continued)

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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.

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

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

Measurement

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

Sale of goods

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

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

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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, in surplus or deficit. Interest is calculated in accordance with the municipality's credit control and debt collection policy. Interest is charged on all overdue property rates accounts older than 30 days at prime interest rate plus 1%.

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

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

1.20 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.

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

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

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.

Recognition

An inflow of resources from a non-exchange transaction recognised as revenue.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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 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.

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.

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

Collection charges and penalties

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

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

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.

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

Them municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.

Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

Gifts and donations, including goods in-kind

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

Services in-kind

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 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.

1.22 Accounting by principals and agents

Identification

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

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

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

TSWELOPELE LOCAL MUNICIPALITY

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Accounting Policies

1.22 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.23 Discontinued operations

Discontinued operations is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.24 Comparative figures

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

Refer to notes for detail.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

1.27 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. It is subsequently accounted for as revenue in the statement of financial performance.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 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.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Budget information (continued)

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 2023/07/01 to 2024/06/30.

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.

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

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Accounting Policies

1.31 Events after reporting date (continued)

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.

1.32 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against the accumulated surplus / deficit.

Prior year adjustments, relating to income and expenditure are debited / credited against accumulated surplus / deficit when retrospective adjustments are made.

1.33 Value-Added Tax (VAT)

The municipality is registered with South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act, 1991 (Act no. 89 of 1991).

1.34 Grants in aid

The municipality transfers money to individuals, organisations and other sections of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.35 Operating expenditure

Expenses encompasses losses as well as those expenses that arise on the course of the operating activities of the municipality.

Expenses take the form of an outflow of depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense.

1.36 Donations made

Donations made shall be measured at fair value of the consideration paid or payable when the amount of the expenditure can be measured reliably.

Other grants and donations are recognised as expenditure when the payable meets the definition of an liability and satisfied the criteria for recognition as an liability.

If donations are made without conditions attached, expenditure is recognised immediately. If conditions are attached, a asset is recognised, which is reduced and expenditure recognised as the conditions are satisfied.

TSWELOPELE LOCAL MUNICIPALITY

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact

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 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (Revised) financial instruments	01 April 2025	Unlikely there will be a material impact
• The Application of Materiality to Financial Statements	01 April 2024	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2024	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2024	Unlikely there will be a material impact

3. Inventories

Water reserves	41 286	49 527
Fuel (diesel and oil)	304 828	75 464
Electrical	154 840	151 705
Mechanical	59 917	51 314
Water equipment	680 900	144 260
	1 241 771	472 270

Reconciliation of 2024 movement:	Opening balance	Movement	Purchases	Issued	Total
Water reserves	49 527	(8 241)	-	-	41 286
Fuel (diesel and oil)	75 464	-	4 071 700	(3 842 336)	304 828
Electrical	151 705	-	79 720	(76 585)	154 840
Mechanical	51 314	-	125 757	(117 154)	59 917
Water equipment	144 260	-	821 498	(284 858)	680 900
	472 270	(8 241)	5 098 675	(4 320 933)	1 241 771

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3. Inventories (continued)

Reconciliation of 2023 movement:	Opening balance	Movement	Purchases	Issued	Total
Water reserves	52 272	(2 745)	-	-	49 527
Fuel (diesel and oil)	299 330	-	4 793 420	(5 017 286)	75 464
Electrical	268 982	-	-	(117 277)	151 705
Mechanical	22 421	-	173 460	(144 567)	51 314
Water equipment	352 297	-	-	(208 037)	144 260
Water reserves	101 724	-	-	(101 724)	-
	1 097 026	(2 745)	4 966 880	(5 588 891)	472 270

Inventory pledged as security

No inventory was pledged as security during the current financial year.

4. Other receivables from exchange transactions

Eskom deposits	1 858 456	1 535 340
Other receivables	4 870 880	1 384 314
	6 729 336	2 919 654

As of 30 June 2024, other receivables of R 323,515 (2023: R 25,875) were impaired and provided for.

5. Receivables from non-exchange transactions

Gross balances

Property rates	76 452 376	63 177 491
Availability charges	795 592	1 257 623
Traffic fines	2 065 428	1 668 388
	79 313 396	66 103 502

Less: Allowance for impairment

Property rates	(51 447 377)	(44 337 488)
Availability charges	(542 617)	(859 923)
Traffic fines	(1 325 751)	(1 072 422)
	(53 315 745)	(46 269 833)

Net balances

Property rates	25 004 999	18 840 003
Availability charges	252 975	397 700
Traffic fines	739 677	595 966
	25 997 651	19 833 669

Impairment reconciliation - 2024

	Opening balance	Impairment raised	Impairment reversed / bad debt written off	Total
Property rates	44 337 488	-	7 109 889	51 447 377
Availability charges	859 923	-	(317 306)	542 617
Traffic fines	1 072 422	253 329	-	1 325 751
	46 269 833	253 329	6 792 583	53 315 745

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5. Receivables from non-exchange transactions (continued)

Impairment reconciliation - 2023	Opening balance	Impairment raised	Impairment reversed / Bad debt written off	Total
Property rates	44 897 051	(559 563)	-	44 337 488
Availability charges	853 879	6 044	-	859 923
Traffic fines	602 363	470 059	-	1 072 422
	46 353 293	(83 460)	-	46 269 833

Ageing of impaired receivables by debt type - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	1 741 592	1 143 449	972 696	914 778	71 679 862	76 452 377
Availability charges	36 765	23 819	20 025	17 959	697 024	795 592
Traffic fines	107 916	90 713	94 322	108 034	1 664 442	2 065 427
Sub-total	1 886 273	1 257 981	1 087 043	1 040 771	74 041 328	79 313 396
Less: Allowance for impairment	(833 547)	(752 115)	(700 278)	(682 734)	(50 347 071)	(53 315 745)
	1 052 726	505 866	386 765	358 037	23 694 257	25 997 651

Ageing of impaired receivables by customer group - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Residential	812 633	510 884	443 256	415 306	10 601 992	12 784 071
Business	947 031	678 786	641 571	624 589	61 164 625	64 056 602
National and provincial government	126 609	68 311	2 216	876	2 274 711	2 472 723
Sub-total	1 886 273	1 257 981	1 087 043	1 040 771	74 041 328	79 313 396
Less: Allowance for impairment	(833 547)	(752 115)	(700 278)	(682 734)	(50 347 071)	(53 315 745)
	1 052 726	505 866	386 765	358 037	23 694 257	25 997 651

Ageing of impaired receivables by debt type - 2023	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	1 845 529	1 225 583	1 427 601	9 190 821	49 487 957	63 177 491
Availability charges	44 077	28 994	24 275	23 261	1 137 016	1 257 623
Traffic fines	87 171	73 275	76 190	87 268	1 344 484	1 668 388
Sub-total	1 976 777	1 327 852	1 528 066	9 301 350	51 969 457	66 103 502
Less: Allowance for impairment	(889 208)	(811 713)	(915 980)	(2 367 098)	(41 285 834)	(46 269 833)
	1 087 569	516 139	612 086	6 934 252	10 683 623	19 833 669

Ageing of impaired receivables by customer group - 2023	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Residential	756 673	500 278	428 183	640 204	8 905 827	11 231 165
Business	1 004 823	788 207	753 814	6 757 430	42 337 891	51 642 165
National and provincial government	215 281	39 367	346 069	1 903 716	725 739	3 230 172
Sub-total	1 976 777	1 327 852	1 528 066	9 301 350	51 969 457	66 103 502
Less: Allowance for impairment	(889 208)	(811 713)	(915 980)	(2 367 098)	(41 285 834)	(46 269 833)
	1 087 569	516 139	612 086	6 934 252	10 683 623	19 833 669

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5. Receivables from non-exchange transactions (continued)

Receivables pas due but not impaired - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	979 629	452 193	334 285	300 223	22 938 669	25 004 999
Availability charges	21 214	10 060	7 132	5 873	208 697	252 976
Traffic fines	51 883	43 613	45 348	51 941	546 891	739 676
	1 052 726	505 866	386 765	358 037	23 694 257	25 997 651

Receivables past due but not impaired - 2023	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	1 032 713	477 697	576 112	6 895 070	9 858 413	18 840 005
Availability charges	23 718	12 267	8 761	8 008	344 946	397 700
Traffic fines	31 138	26 175	27 214	31 174	480 263	595 964
	1 087 569	516 139	612 087	6 934 252	10 683 622	19 833 669

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property rates	25 004 999	18 840 003
Traffic fines	739 677	595 966
	25 744 676	19 435 969

Property rates are charged based on the Municipal Rates Act, 2004 (Act no.6 of 2004) on all applicable properties under the demarcation of the municipality. The initial transactions is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

Traffic fines are charged in accordance with the National Road Traffic Act, 1996 (Act no. 93 of 1996) on road traffic offences as permitted by the legislation. The initial transaction is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

6. VAT receivable

VAT	20 788 247	16 137 927
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The VAT receivable is composed of:

VAT receivable	3 320 845	3 969 972
VAT accrual	17 467 403	12 167 956
	20 788 248	16 137 928

7. Receivables from exchange transactions

Gross balances

Electricity	18 650 233	17 945 240
Water	18 620 738	17 327 576
Sewerage	27 462 752	26 391 006
Refuse	18 143 478	17 624 404
Other	8 848 710	9 479 655
	91 725 911	88 767 881

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7. Receivables from exchange transactions (continued)						
Less: Allowance for impairment						
Electricity	(9 920 451)	(9 732 142)				
Water	(13 241 405)	(12 293 639)				
Sewerage	(19 903 255)	(18 917 351)				
Refuse	(13 100 220)	(12 582 597)				
Other	(6 972 250)	(7 508 797)				
	(63 137 581)	(61 034 526)				
Net balance						
Electricity	8 729 782	8 213 098				
Water	5 379 333	5 033 937				
Sewerage	7 559 497	7 473 655				
Refuse	5 043 258	5 041 807				
Other	1 876 460	1 970 858				
	28 588 330	27 733 355				
Impairment reconciliation - 2024						
	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total		
Electricity	9 732 142	188 310	-	9 920 452		
Water	12 293 639	947 766	-	13 241 405		
Sewerage	18 917 351	985 903	-	19 903 254		
Refuse	12 582 597	517 623	-	13 100 220		
Other	7 508 797	-	(536 547)	6 972 250		
	61 034 526	2 639 602	(536 547)	63 137 581		
Impairment reconciliation - 2023						
	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total		
Electricity	7 085 203	2 646 939	-	9 732 142		
Water	11 827 644	465 995	-	12 293 639		
Sewerage	18 268 592	648 759	-	18 917 351		
Refuse	12 756 367	-	(173 770)	12 582 597		
Other	5 884 479	1 624 318	-	7 508 797		
	55 822 285	5 386 011	(173 770)	61 034 526		
Ageing of consumer debtors by type - 2024						
	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 789 945	1 530 007	971 395	792 046	11 566 840	18 650 233
Water	651 240	420 604	416 810	379 232	16 752 852	18 620 738
Sewerage	677 741	582 644	561 716	550 423	25 090 228	27 462 752
Refuse	388 796	322 879	308 482	301 061	16 822 260	18 143 478
Other	51 471	70 645	66 273	46 038	8 614 283	8 848 710
Sub-total	5 559 193	2 926 779	2 324 676	2 068 800	78 846 463	91 725 911
Less: Allowance for impairment	(2 259 858)	(1 701 752)	(1 458 008)	(1 369 626)	(56 348 337)	(63 137 581)
	3 299 335	1 225 027	866 668	699 174	22 498 126	28 588 330

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7. Receivables from exchange transactions (continued)

Ageing of impairment consumer debtors by consumer group - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Residential	1 843 535	1 291 078	1 127 573	1 001 723	55 903 121	61 167 030
Business	2 908 713	1 123 820	738 258	670 900	18 386 359	23 828 050
National and provincial government	806 945	511 881	458 845	396 177	4 556 983	6 730 831
Sub-total	5 559 193	2 926 779	2 324 676	2 068 800	78 846 463	91 725 911
Less: Allowance of impairment	(2 259 858)	(1 701 752)	(1 458 008)	(1 369 626)	(56 348 337)	(63 137 581)
	3 299 335	1 225 027	866 668	699 174	22 498 126	28 588 330

Ageing of consumer debtors by type - 2023	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 469 773	1 266 172	883 556	963 785	11 361 954	17 945 240
Water	521 559	416 915	322 950	291 067	15 775 085	17 327 576
Sewerage	624 655	541 474	520 869	514 617	24 189 391	26 391 006
Refuse	349 802	303 379	288 921	285 436	16 396 866	17 624 404
Other	79 917	35 934	60 267	30 235	9 273 302	9 479 655
Sub-total	5 045 706	2 563 874	2 076 563	2 085 140	76 996 598	88 767 881
Less: Allowance of impairment	(2 108 542)	(1 474 669)	(1 306 637)	(1 331 130)	(54 813 548)	(61 034 526)
	2 937 164	1 089 205	769 926	754 010	22 183 050	27 733 355

Ageing of impairment consumer debtors by consumer group - 2023	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Residential	1 570 308	1 098 538	1 031 095	990 864	51 341 232	56 032 037
Business	2 768 297	955 640	592 999	666 140	21 987 812	26 970 888
National and provincial government	707 101	509 696	452 469	428 136	3 667 554	5 764 956
Sub-total	5 045 706	2 563 874	2 076 563	2 085 140	76 996 598	88 767 881
Less: Allowance for impairment	(2 108 542)	(1 474 669)	(1 306 637)	(1 331 130)	(54 813 548)	(61 034 526)
	2 937 164	1 089 205	769 926	754 010	22 183 050	27 733 355

Consumer debt past due but not impaired - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	2 542 311	771 823	447 852	331 139	4 636 657	8 729 782
Water	336 174	155 641	142 573	121 812	4 623 132	5 379 332
Sewerage	246 207	164 431	149 111	143 445	6 856 303	7 559 497
Refuse	152 167	97 583	87 399	83 618	4 622 491	5 043 258
Other	22 476	35 549	39 732	19 160	1 759 544	1 876 461
	3 299 335	1 225 027	866 667	699 174	22 498 127	28 588 330

Consumer debt past due but not impaired - 2023	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	2 312 021	639 847	398 923	430 208	4 432 099	8 213 098
Water	238 094	176 881	106 766	87 918	4 424 278	5 033 937
Sewerage	228 702	160 947	146 254	140 894	6 796 859	7 473 656
Refuse	139 087	97 950	87 442	83 775	4 633 553	5 041 807
Other	19 261	13 580	30 542	11 214	1 896 260	1 970 857
	2 937 165	1 089 205	769 927	754 009	22 183 049	27 733 355

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7. Receivables from exchange transactions (continued)		
Collection rate of consumer receivables (average days)		
Electricity	4,86	12,63
Water	68,53	55,43
Sewerage	54,30	132,25
Refuse	46,85	136,38
Other	(140,05)	188,34
	34,49	525,03

Consumer debtors pledged as security

No consumer debtors have been pledged as security.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 919	4 919
Bank balances	2 420 809	1 285 037
Short-term deposits	15 253 803	9 190 787
	17 679 531	10 480 743

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng	1 100 000	1 100 000
Limited cession to secure the guarantee of R1 100 000 over ABSA account 9108352550	1 520 000	1 520 000

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
ABSA Bank - Cheque - 8101422227	2 417 314	1 295 834	553 758	2 420 809	1 285 037	694 108
ABSA Bank - Money Market - 9108352550	15 237 429	8 003 463	1 778 730	15 237 429	8 003 464	1 778 730
ABSA Bank - Money Market - 9310197560	16 374	89 342	49 318	16 374	89 342	49 318
Standard Bank - Investment Account - 398478066014	-	-	2 052 153	-	-	2 052 153
Nedbank - Call Deposit - 03/7662023052/9	-	1 097 981	-	-	1 097 981	-
Petty cash on hand	-	-	-	4 919	4 919	4 919
Total	17 671 117	10 486 620	4 433 959	17 679 531	10 480 743	4 579 228

Cash at banks earns interest at floating rates based on the daily bank deposit rates.

Short term deposits are made for varying periods, depending on the immediate cash requirements, earn interest at the respective short-term deposit rate.

The municipality has a fleet card facility of R 100 000 (2023: R 100 000).

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9. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	805 000	-	805 000	705 100	-	705 100

Reconciliation of biological assets - 2024

	Opening balance	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets acquired through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Game	705 100	122 300	(40 400)	18 000	805 000

Reconciliation of biological assets - 2023

	Opening balance	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets acquired through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Game	1 314 900	1 200	(601 500)	(9 500)	705 100

Non-financial information

Quantities of each biological asset

Blesbuck	137	118
Oryx	32	35
Kudu	-	4
Impala	20	19
Red Hartebeest	10	15
Springbuck	150	96
Black Springbuck	13	17
Black Wildebeest	90	84
Ostrich	4	5
Horses	6	6
Zebra	19	18
Lechwe	4	-
	485	417

Pledged as security

No biological assets have been pledged as security.

Methods and assumptions used in determining fair value

The fair value of game was based on trends during various game auctions held, they are based on breeding groups and not on trophy or non-trophy animals.

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10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	102 223 273	-	102 223 273	102 570 632	-	102 570 632

Reconciliation of investment property - 2024

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	102 570 632	(853 412)	506 053	102 223 273

Reconciliation of investment property - 2023

	Opening balance	Disposals	Total
Investment property	104 344 880	(1 774 248)	102 570 632

Pledged as security

No investment properties have been pledged as security.

Details of valuation

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:

- A building owned by the municipality and leased out to third parties under one or more operating leases.
- Land held for a current undeterminable future use.
- Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

During the year the municipality obtained a valuation report of its investment properties. Presented below is a description of the methods and significant assumptions used to arrive at the value included in these financial statements:

- The FNB House Price Index's annual growth decreased. Elevated living costs as well as higher borrowing and debt-servicing costs continue to erode affordability, particularly among lower-income groups.
- Expectations are that economy will shrink marginally.
- Market activity decreased.
- This is reflective of slow disposable income growth in a virtually zero-economic growth environment, following a multi-year growth slowdown.
- The forecast for smaller towns is grimmer.

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10. Investment property (continued)

Under construction and contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Rental revenue from investment property	1 644 369	1 854 104
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11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 871 830	(110 603)	33 761 227	33 931 828	(70 785)	33 861 043
Infrastructure	773 325 514	(385 122 311)	388 203 203	728 201 703	(334 465 733)	393 735 970
Community	157 618 140	(96 107 227)	61 510 913	163 970 094	(100 890 194)	63 079 900
Other property, plant and equipment	29 285 037	(16 256 500)	13 028 537	26 952 522	(15 316 381)	11 636 141
Infrastructure - under construction	114 365 830	-	114 365 830	90 375 482	-	90 375 482
Total	1 108 466 351	(497 596 641)	610 869 710	1 043 431 629	(450 743 093)	592 688 536

TSWELOPELE LOCAL MUNICIPALITY

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers	Disposals	Community donations	Change in estimate for landfill sites	Depreciation	Impairment loss	Total
Land	33 861 043	-	-	-	-	-	-	(99 816)	33 761 227
Infrastructure	393 735 970	498 135	18 473 619	(2 668 930)	3 332 827	(4 213 874)	(19 542 371)	(1 412 173)	388 203 203
Community	63 079 900	-	4 739 505	(609 518)	-	-	(4 551 273)	(1 147 701)	61 510 913
Other property, plant and equipment	11 636 141	2 927 918	-	(99 636)	-	-	(1 349 625)	(86 261)	13 028 537
Infrastructure - under construction	90 375 482	52 149 530	(23 213 124)	-	(4 946 058)	-	-	-	114 365 830
	592 688 536	55 575 583	-	(3 378 084)	(1 613 231)	(4 213 874)	(25 443 269)	(2 745 951)	610 869 710

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Donations	Transfers	Disposals	Community donations	Other movements	Depreciation	Impairment loss	Total
Land	33 931 828	-	-	-	-	-	-	-	(70 785)	33 861 043
Infrastructure	355 553 632	154 712	2 375 621	54 579 010	(9 354 428)	-	13 692 467	(22 948 115)	(316 929)	393 735 970
Community	67 060 992	8 956	-	3 112 919	(971 137)	-	-	(5 918 132)	(213 698)	63 079 900
Other property, plant and equipment	9 108 241	4 177 955	-	-	(120 713)	-	-	(1 512 397)	(16 945)	11 636 141
Infrastructure - under construction	94 585 481	64 601 215	-	(57 691 929)	-	(11 119 285)	-	-	-	90 375 482
	560 240 174	68 942 838	2 375 621	-	(10 446 278)	(11 119 285)	13 692 467	(30 378 644)	(618 357)	592 688 536

Pledged as security

No property, plant and equipment has been pledged as security.

TSWELOPELE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023	
11. Property, plant and equipment (continued)			
Assets subject to finance lease (Net carrying amount)			
Other property, plant and equipment	-	368 427	
Reconciliation of work-in-progress - 2024			
	Included within infrastructure	Total	
Opening balance	90 375 482	90 375 482	
Additions / capital expenditure	52 149 530	52 149 530	
Expensed	(4 946 058)	(4 946 058)	
Transferred to completed items	(23 213 124)	(23 213 124)	
	114 365 830	114 365 830	
Reconciliation of work-in-progress - 2023			
	Included within infrastructure	Total	
Opening balance	94 585 479	94 585 479	
Additions / capital expenditure (previously disclosed)	64 601 217	64 601 217	
Expensed	(11 119 285)	(11 119 285)	
Transferred to completed items	(57 691 929)	(57 691 929)	
	90 375 482	90 375 482	
Contractual commitments - 2024			
	Infrastructure assets	Community	Total
Commitments to construct or develop property, plant and equipment	15 186 825	410 706	15 597 531
Contractual commitments - 2023			
	Infrastructure assets	Community infrastructure	Total
Commitments to construct or develop property, plant and equipment	48 523 704	287 799	48 811 503
Reconciliation of (gain)/loss on disposal of assets and liabilities			
Cost price	25 453 492	28 102 277	
Accumulated depreciation and impairment	(22 075 407)	(17 168 291)	
	3 378 085	10 933 986	
Management in the process of investigations of the assets disposals for consequence management			
Expenditure incurred to repair and maintain property, plant and equipment			
Contracted services	3 478 261	4 347 826	
Slow-moving projects			
The municipality do not have any slow-moving projects as all ongoing project had movement and progress during the year.			

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Figures in Rand 2024 2023

11. Property, plant and equipment (continued)

Land

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

12. Other financial assets

Designated at fair value

Unlisted shares	1 629 742	1 357 961
• 49 383 Senwes shares at R 19,20 per share (2023: R 15,00)		
• 75 732 Senwesbel shares at R 9,00 per share (2023: R 8,15)		

Non-current assets

Designated at fair value	1 629 742	1 357 961

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Unlisted shares	1 629 742	1 357 961

13. Receivables from exchange transactions

The following receivables from exchange and non-exchange transactions were reclassified from current to non-current assets due to the consumers having payment arrangements with the municipality.

Consumer debtors - 2024	Receivables from exchange transactions	Receivables from non- exchange transactions	Total
Electricity	214 370	-	214 370
Water	184 748	-	184 748
Sewerage	144 817	-	144 817
Refuse	105 088	-	105 088
Property rates	-	92 145	92 145
Availability charges	-	3 288	3 288
	649 023	95 433	744 456

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Figures in Rand 2024 2023

13. Receivables from exchange transactions (continued)

Consumer debtors - 2023

	Receivables from exchange transactions	Receivables from non- exchange transactions	Total
Electricity	163 179	-	163 179
Water	71 570	-	71 570
Refuse	34 861	-	34 861
Sewerage	44 175	-	44 175
Property rates	-	51 556	51 556
	313 785	51 556	365 341

Ageing of non-current consumer debtors - 2024

	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	8 268	13 869	7 274	2 280	182 679	214 370
Water	8 418	7 299	9 113	4 501	155 417	184 748
Refuse	3 851	3 583	3 130	2 935	91 589	105 088
Sewerage	5 247	5 007	4 349	4 082	126 132	144 817
Property rates	14 253	11 698	8 657	7 900	49 637	92 145
Availability charges	60	60	60	60	3 048	3 288
	40 097	41 516	32 583	21 758	608 502	744 456

Ageing of non-current consumer debtors - 2023

	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 968	5 328	4 366	4 492	145 025	163 179
Water	7 141	4 648	3 181	2 573	54 027	71 570
Refuse	1 305	1 176	1 167	1 167	30 046	34 861
Sewerage	1 875	1 673	1 678	1 678	37 271	44 175
Property rates	5 474	4 582	4 552	4 563	32 385	51 556
	19 763	17 407	14 944	14 473	298 754	365 341

14. Other financial liabilities

At amortised cost

Annuity loans

7 100 025 6 246 517

The annuity loan comprises a Development Bank of Southern Africa (DBSA) loan. The endowments are made on a six-monthly basis. The loan will be redeemed on the 31 December 2024. The loan carries interest at 11.9% per annum.

Non-current liabilities

At amortised cost

- 2 429 631

Current liabilities

At amortised cost

7 100 025 3 816 886

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	394 254
	-	394 254
less: future finance charges	-	(18 366)
Present value of minimum lease payments	-	375 888

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 1% (2023: 1%).

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

Carrying amount of assets under the finance lease - 368 427

16. Payables from exchange transactions

Trade payables	177 226 273	130 390 521
Payments received in advance	592 739	1 307 011
Accrued leave pay	12 503 672	10 788 667
Accrued bonus	2 359 510	2 091 056
Salary control account	248 517	166 150
Deposits received	2 650 436	2 398 810
Retention payables	6 250 015	4 348 975
Cash suspense account	6 107 410	5 838 765
	207 938 572	157 329 955

Unallocated deposits amounting to R 5 394 329 were approved for write-off by Council on 30 July 2024.

Salary control account consists of the following amounts:

Directors remuneration accrual- new gazette	247 117	163 588
Other	1 400	2 562
	248 517	166 150

17. Consumer deposits

Electricity	1 389 547	1 261 131
Water	424 771	402 100
	1 814 318	1 663 231

Deposits are released on termination of the contract or when contract services are delivered.

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
18. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the post-employment medical aid liability	(4 876 944)	(3 683 014)
Present value of the long service awards liability	(4 788 997)	(4 628 092)
	(9 665 941)	(8 311 106)
Non-current liabilities	(8 184 486)	(7 666 794)
Current liabilities	(1 481 455)	(644 312)
	(9 665 941)	(8 311 106)
Changes in the present value of the post-employment medical aid liability is as follows:		
Opening balance	3 683 014	4 460 975
Interest cost	333 249	482 171
Benefits paid	(544 111)	(542 943)
Actuarial (gain)/loss	1 404 792	(717 189)
	4 876 944	3 683 014
Changes in the present value of the long service awards liability is as follows:		
Opening balance	4 628 092	4 374 798
Current service cost	425 717	368 188
Interest cost	430 376	425 713
Benefits paid	(1 047 411)	(838 753)
Actuarial (gains)/loss	352 223	298 146
	4 788 997	4 628 092
Net expense recognised in the statement of financial performance:		
Current service cost	(1 165 805)	(1 013 508)
Interest cost	763 625	907 884
Actuarial (gains) losses	1 757 015	(419 043)
	1 354 835	(524 667)
Key assumptions used:		
Assumptions used at the reporting date:		
Post-employment medical aid liability		
Discount rates used	10,78 %	9,18 %
Consumer price inflation (CPI)	5,57 %	4,97 %
Health care cost inflation	7,07 %	6,47 %
Net discount rate	3,46 %	2,55 %
Average age (years)	77,36	77,57
Average employer monthly contribution (R)	4 852,57	6 484,00

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Figures in Rand 2024 2023

18. Employee benefit obligations (continued)

Long service awards liability

Discount rate	9,90 %	10,18 %
Consumer price inflation (CPI)	4,96 %	5,64 %
Salary increase rate	5,96 %	6,64 %
Net discount rate	3,72 %	3,32 %
Number of employees	233,00	209,00
Average annual salary	226 301,00	201 673,00
Average age (years)	47,20	47,91
Average past service (years)	12,20	13,81

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 of 9,90% per annum. The yield of inflation-linked bonds of similar term is 4,71% per annum. This implies an underlying expectation of inflation of 4,96% per annum.

The valuation basis assumes that the salary inflation rate would exceed general inflation by 1% per annum, i.e. 5,96% per annum.

The affect of a 1% increase and decrease in the salary inflation rates is as follows:

Salary increase rate	1% decrease (R)	30 June 2024 valuation basis	1% increase (R)
Employer's accrued liability	4 554 948	4 788 997	5 043 792
Employer's current service cost	448 395	474 829	503 849
Employer's interest cost	403 166	426 347	451 585
	5 406 509	5 690 173	5 999 226

Post-employment medical aid liability

The discount rate is determined by using the Bond Zero Coupon Yield Curve as at 30 June 2024 of 10,78% per annum. The yield of inflation-linked bonds of a similar term is 4,94% per annum. This implies an underlying expectation of inflation of 5,57% per annum.

The valuation results are sensitive to changes in the underlying assumptions. The effect of a 1% increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation rate	1% decrease (R)	30 June 2024 valuation basis	1% increase (R)
Employer's accrued liability	4 478 086	4 876 944	5 347 903
Interest cost	455 325	498 199	548 848
	4 933 411	5 375 143	5 896 751

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	4 012 745
Low Voltage Grant	593 682	581 731
Water Services Infrastructure Grant	3 982 609	20 516
	4 576 291	4 614 992

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

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Notes to the Annual Financial Statements

Figures in Rand 2024 2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Reduction due to re-measurement	Total
Environmental rehabilitation	58 596 561	6 245 808	(4 213 874)	60 628 495

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	40 441 387	13 692 467	4 462 707	58 596 561

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Tswelopele municipality area. The landfill rehabilitation provision is intended for the rehabilitation of the two operational sites located in Bultfontein and Hoopstad and is evaluated at each year-end to reflect the best estimate at the reporting date. The valuation of the rehabilitation procedures and costs was performed by Aiden Bowers (Pr.Eng).

A reconciliation of the environmental rehabilitation provision for each site is provided below.

	Bultfontein	Hoopstad
2024		
Opening balance	32 376 423	26 220 140
Change in estimate	(1 904 655)	(2 309 219)
Interest	2 794 805	3 451 003
	33 266 573	27 361 924

There were no changes in the expected date for the rehabilitation of the Bultfontein and Hoopstad landfill site as they remained at 2035 and 2036 respectively.

The change in estimate is caused by inflation, change in discount rates (linked to current bond rates) and an updated database of unit rates.

It is assumed that the population growth of the town is correct and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings for the municipality is 10.66% (2023: 11,03%) and this percentage was used as a discount factor for future rehabilitation costs.

Estimations used in the calculation of the provisions are as follows:

	Bultfontein	Hoopstad
30 June 2024		
Discount rate used	10,66	10,66
Annualised CPAP	5,92 %	5,92 %
Rehabilitation area (m2)	122 382	115 709
Rehabilitation cost excluding VAT	51 928 928	43 880 904
Unit costs (R/m2)	456,00	499,00
30 June 2023		
Discount rate used	11,03 %	11,03 %
Annualised CPAP	6,81 %	6,81 %
Rehabilitation area (m2)	122 382	115 709
Rehabilitation cost excluding VAT	49 632 620	41 786 929
Unit costs (R/m2)	436,00	475,00

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21. Service charges		
Sale of electricity	52 995 166	46 385 375
Sale of water	6 887 545	5 279 052
Sewerage and sanitation charges	7 204 340	6 599 209
Refuse removal	4 044 097	3 754 739
	71 131 148	62 018 375
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 638 799	1 834 647
Rental of equipment	5 570	19 457
	1 644 369	1 854 104
23. Licences and permits		
Licences and permits	93 896	133 405
24. Other income		
Insurance revenue	54 900	2 506 445
Commission received	373 097	321 985
Grave fees	449 514	377 477
Gravel sales	15 107	10 876
Special meter reading	1 325	-
Building plan fees	149 093	24 771
Connection fees	106 508	48 921
Sundry income	135 448	107 461
Meter tampering fees	15 342	29 829
Zoning application fees	4 481	11 977
Tender documentation	3 866	293 639
Recoveries	160 575	140 065
	1 469 256	3 873 446
25. Investment revenue		
Dividend revenue		
Listed financial assets	141 015	116 750
Interest revenue		
Bank	162 434	144 251
Short-term deposits	2 975 864	1 731 595
Other receivables (Eskom deposits)	106 156	58 519
Interest received - investments	3 244 454	1 934 365
Investment revenue	3 385 469	2 051 115
26. Property rates		
Rates received		
Property rates	32 243 757	30 501 310

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Property rates (continued)		
Properties as per billing category		
Agricultural	15 116 830	14 341 033
Business	5 518 167	4 579 692
Government	4 786 585	4 517 087
Residential	6 822 175	6 771 004
Vacant properties	-	292 494
	32 243 757	30 501 310
27. Availability charges		
Electricity	275 541	249 742
Sewerage	69 974	68 159
Water	81 860	79 666
	427 375	397 567
28. Interest from non-exchange receivables		
Interest - property rates	6 820 191	6 271 001
29. Government grants and subsidies		
Operating grants		
Equitable share	97 242 000	91 219 000
Expanded Public Works Programme Grant	1 150 000	1 141 000
Financial Management Grant	2 100 000	2 100 000
	100 492 000	94 460 000
Capital grants		
Municipal Infrastructure Grant	23 588 239	25 340 895
Low Voltage Grant	3 988 049	3 418 269
Regional Bulk Infrastructure Grant	10 875 158	33 210 915
Water Services Infrastructure	21 067 413	12 255 484
Department of Mineral Resources and Energy	4 000 000	5 000 000
	63 518 859	79 225 563
	164 010 859	173 685 563

Equitable Share

The municipality received R97 242 000 as Equitable Share during the 2023/24 financial year as compared to the Gazette.

No amount was withheld in the current year.

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 012 745	-
Current year receipts	19 575 494	29 353 640
Conditions met - transferred to revenue	(23 588 239)	(25 340 895)
	-	4 012 745

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

TSWELOPELE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Government grants and subsidies (continued)		
Low Voltage Grant		
Balance unspent at beginning of year	581 731	-
Current year receipts	2 577 016	4 000 000
Conditions met - transferred to revenue	(3 988 049)	(3 418 269)
Current year receivable	1 422 984	-
	593 682	581 731

Conditions still to be met - remain liabilities (see note 19).

Moving of smart meters from inside the houses of the municipalities servitude.

The municipality received R1 00 000 from Provincial Treasury as additional support for funding of the low voltage project.

Department of Mineral Resources and Energy

Current year receipts	4 000 000	5 000 000
Conditions met - transferred to revenue	(4 000 000)	(5 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Energy effective oriented project. Retrofitting of old conventional lights to LED lights.

Regional Bulk Infrastructure Grant

Current year receipts	9 513 798	33 210 915
Conditions met - transferred to revenue	(10 875 158)	(33 210 915)
Current year receivable	1 361 360	-
	-	-

Conditions still to be met - remain liabilities (see note 19).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries of large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects; to facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

All the conditions of the grant were met and no funds were withheld.

Finance Management Grant

Current year receipts	2 100 000	2 100 000
Conditions met - transferred to revenue	(2 100 000)	(2 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met and no funds were withheld.

TSWELOPELE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
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29. Government grants and subsidies (continued)

Expanded Public Works Programme Grant

Current year receipts	1 150 000	1 141 000
Conditions met - transferred to revenue	(1 150 000)	(1 141 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All the conditions of the grant were met and no funds were withheld.

Water Services Infrastructure Grant

Balance unspent at beginning of year	20 516	-
Current year receipts	25 029 506	12 276 000
Conditions met - transferred to revenue	(21 067 413)	(12 255 484)
	3 982 609	20 516

Conditions still to be met - remain liabilities (see note 19).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.

30. Public contributions and donations

Public contributions and donations	3 332 827	2 383 148
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This relates to a paved road constructed by Department of Public Works and transferred to the municipality.

31. Fines and penalties

Contractor penalties	91 200	-
Traffic fines	859 500	760 550
	950 700	760 550

32. Debt forgiveness

Provincial Treasury	985 516	2 787 690
Eskom interest reversed	12 325 746	-
	13 311 262	2 787 690

According to the Public Audit Act, 2004 (Act no. 25 of 2004) the municipality is only responsible for an audit fee from the offices of the Auditor-General of South Africa (AGSA) equal to 1% of their total expenditures per annum. The balance of the audit fees is payable by Treasury.

Eskom reversed interest in accordance with MFMA circular 124 on debt relief as a result of the municipality participating in the debt relief programme and compliance thereof.

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Figures in Rand	2024	2023
33. Employee related costs		
Basic	56 372 599	48 867 191
Medical aid - company contributions	5 612 848	4 732 131
UIF	498 410	447 364
SDL	705 110	610 848
Leave pay provision charge	1 975 371	1 847 916
Defined contribution plans	8 703 691	7 575 648
Travel, motor car, accommodation, subsistence and other allowances	5 404 317	4 398 976
Overtime payments	4 796 349	3 985 564
Long-service awards	425 717	368 188
Prorata bonuses and bonus accrual	268 454	357 522
Housing benefits and allowances	614 874	617 343
Other short term costs	32 001	27 497
Cellphone allowance	175 030	168 940
Standby allowance	1 283 436	1 244 063
	86 868 207	75 249 191

Included in the directors remuneration detailed below is an accrual of backpay according to Gazette No. 50737 issued 30 May 2024 and to be settled in the 2024/2025 financial period. Cellphone allowances that were paid during the current financial period in line with Government Gazette no. 49142 issued 18 August 2023 for the remuneration of councillors effective 1 July 2022 are also included.

Remuneration of Municipal Manager (MLE Leseane)

Annual remuneration	251 788	-
Car allowance	24 000	-
Annual bonus	20 982	-
Contributions to UIF, medical and pension funds	45 853	-
Cellphone allowance	10 800	-
Other costs	21 655	-
	375 078	-

The Municipal Manager, MLE Leseane, was appointed on 1 April 2024.

K Motloutng, seconded from COGTA was appointed Acting Municipal Manager from 7 June 2023 until 2 October 2023.

Director Community Services, SS Rabanye was appointed to act in the position of Municipal Manager from 3 October 2023 to 31 March 2024.

Remuneration of Municipal Manager (MRE Mogopodi)

Annual remuneration	-	12 884
Other costs	-	17 465
	-	30 349

The contract of the former Municipal Manager, MRE Mogopodi, ended 30 April 2022. A backpay was paid in the previous financial period in line with Government Gazette no. 47538.

Remuneration of Chief Financial Officer (TJ Matyesini)

Annual remuneration	761 938	735 249
Car allowance	96 000	95 789
Annual bonus	65 898	58 868
Contributions to UIF, medical and pension funds	202 089	192 038
Cellphone allowance	45 600	40 800
Other	75 268	215 773
	1 246 793	1 338 517

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33. Employee related costs (continued)

Remuneration of Director Community Services (MJ Mahlanyane)

Annual remuneration	749 261	722 019
Car allowance	96 000	95 766
Annual bonus	64 651	57 956
Contributions to UIF, medical and pension funds	215 715	206 205
Cellphone allowance	45 600	40 800
Other costs	74 867	141 830
	1 246 094	1 264 576

Remuneration of Director Corporate Services (SS Rabanye)

Annual Remuneration	827 125	890 918
Car Allowance	96 000	96 000
Annual bonus	68 571	71 622
Contributions to UIF, Medical and Pension Funds	133 930	40 800
Cellphone allowance	45 600	23 405
Other costs	183 386	74 670
	1 354 612	1 197 415

Remuneration of Director Technical Services (LS Malokase)

Annual remuneration	948 462	82 634
Car allowance	96 000	8 000
Annual bonus	79 039	-
Contributions to UIF, medical and pension funds	2 125	177
Cellphone allowance	43 400	3 400
Other costs	76 887	5 321
	1 245 913	99 532

LS Malokase was appointed as Director Technical Services on 1 June 2023.

Remuneration of Director Technical Services (BP Dikoko)

Annual remuneration	-	190 908
Car allowance	-	15 397
Contributions to UIF, medical and pension funds	-	39 723
Cellphone allowance	-	6 800
Other costs	-	261 269
	-	514 097

The contract of BP Dikoko ended 31 August 2022.

Total employee related costs

Employee costs	86 868 207	75 249 191
Remuneration of Municipal Manager (MLE Leseane)	375 078	-
Remuneration of Municipal Manager (MRE Mogopodi)	-	30 349
Remuneration of Chief Financial Officer (TJ Matyesini)	1 246 793	1 338 517
Remuneration of Director Community Services (MJ Mahlanyane)	1 246 094	1 264 576
Remuneration of Director Corporate Services (SS Rabanye)	1 354 612	1 197 415
Remuneration of Director Technical Services (LS Malokase)	1 245 913	99 532
Remuneration of Director Technical Services (BP Dikoko)	-	514 097
	92 336 697	79 693 677

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34. Remuneration of councillors		
Councillors remuneration	5 544 413	5 161 173
SDL	63 676	60 170
Medical aid contributions	198 137	177 591
Pension fund contributions	347 237	337 746
Cellphone and data allowance	839 690	754 800
	6 993 153	6 491 480

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996.

A new Government gazette No. 49142 for the determination of upper limits of salaries, allowances and benefits of different members of Municipal Councils was issued on 18 August 2023 affecting remuneration of Municipal Councils from 1 July 2022. In terms of the Government Gazette, before the salaries, allowance and benefits are paid, there must be a concurrence from the Member of the Executive Committee (MEC) responsible for local government giving effect to these salaries. Thereafter a council resolution must be obtained for the implementation of this gazette. The Council resolved on 30 August 2023 that the government gazette be implemented.

The remuneration of councillors for financial year ended 30 June 2023 detailed below included the backpay for the period of 1 July 2022 to 30 June 2023 paid in the financial period 2024.

2024	Allowance	Cellphone allowance	Data allowance	SDL	Total
Mayor - KR Phukuntsi	893 346	45 600	4 008	9 430	952 384
Speaker - MW Raseu	714 677	45 600	4 008	5 963	770 248
Part-time Exco member - JM Radienyane	373 779	45 600	4 008	3 380	426 767
Part-time Exco member - EJ Pretorius	373 779	45 600	4 008	4 234	427 621
Part-time Chairperson Sec 79 - SH Gaebee	359 985	45 600	4 008	4 096	413 689
Part-time councillor - MM Snyer	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MS Baleni	282 712	45 600	4 008	2 720	335 040
Part-time councillor TA Soaisa	282 712	45 600	4 008	3 350	335 670
Part-time councillor - EG Pretorius	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MA Muller	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MJ Noosi	102 814	16 452	1 268	1 205	121 739
Part-time councillor - WM Nkomo	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MC Mphatsoe	285 541	45 600	4 008	2 746	337 895
Part-time councillor - KP Dial	282 712	45 600	4 008	2 704	335 024
Part-time councillor - TS Shuping	282 712	45 600	4 008	3 333	335 653
Part-time councillor - MJ Rabannye	282 712	45 600	4 008	2 676	334 996
Part-time councillor - RA Potsanyane	282 712	45 600	4 008	2 676	334 996
Part-time councillor - NS Twana	158 745	25 964	2 279	1 870	188 858
	6 089 786	772 016	67 675	63 675	6 993 152

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34. Remuneration of councillors (continued)

2023	Allowance	Cellphone allowance	Data allowance	SDL	Total
Mayor - KR Phukuntsi	830 212	40 800	3 600	8 903	883 515
Speaker - MW Raseu	664 199	40 800	3 600	5 666	714 265
Part-time Exco member - JM Radienyane	346 811	40 800	3 600	3 169	394 380
Part-time Chairperson Sec 79 - MC Mphatsoe	337 062	40 800	3 600	3 095	384 557
Part-time councillor - MM Snyder	262 808	40 800	3 600	3 148	310 356
Part-time councillor - MS Baleni	261 528	40 800	3 600	2 586	308 514
Part-time councillor TA Soaisa	262 744	40 800	3 600	3 198	310 342
Part-time councillor - EG Pretorius	262 744	40 800	3 600	3 129	310 273
Part-time councillor - MA Muller	262 744	40 800	3 600	3 121	310 265
Part-time councillor - SH Gaebbe	262 744	40 800	3 600	3 121	310 265
Part-time councillor - WM Nkomo	262 744	40 800	3 600	3 121	310 265
Part-time councillor - KP Dial	262 744	40 800	3 600	2 723	309 867
Part-time councillor - TS Shuping	262 744	40 800	3 600	3 121	310 265
Part-time councillor - MJ Rabanye	262 452	40 800	3 600	2 510	309 362
Part-time councillor - RA Potsanyane	262 452	40 800	3 600	2 513	309 365
Part-time councillor - NS Twana	262 807	40 800	3 600	3 110	310 317
Part-time Exco member - EJ Pretorius	346 968	40 800	3 600	3 939	395 307
	5 676 507	693 600	61 200	60 173	6 491 480

35. Community donations

Community donations 4 946 058 11 119 285

The municipality took up a project of building 476 (2023: 837) toilet structures in the Bultfontein and Phahameng area (Extension 9) with the funding of the Municipal Infrastructure Grant.

36. Depreciation and amortisation

Property, plant and equipment 25 443 269 30 378 645

37. Finance costs

Non-current borrowings	853 508	868 939
Trade and other payables	13 640 036	9 332 924
Finance leases	25 968	56 001
Employee costs	763 625	907 884
Unwinding costs in provisions	6 245 808	4 462 707
	21 528 945	15 628 455

38. Debt impairment

Debt impairment - consumer debtors 17 552 414 10 770 755

Reconciliation of debt impairment

Actual bad debts written off - consumer debtors	6 471 699	5 890 015
Actual bad debts written off - other receivables	-	444 285
Increase in provision of doubtful debt - other receivables	550 969	495 935
Increase in provision for doubtful debt - consumer debtors	10 529 746	3 940 520
	17 552 414	10 770 755

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39. Impairment of assets		
Property, plant and equipment	3 599 363	454 719
Impairment losses are due to the changes in the condition of assets at year end.		
40. Bulk purchases		
Electricity	48 130 096	40 206 583
Water	6 743 880	6 060 900
Electricity (Indigent relief)	4 564 189	3 966 053
	59 438 165	50 233 536
Electricity losses		
Units purchased	22 758 259	21 631 627
Units sold	(20 200 312)	(19 831 394)
Total loss	2 557 947	1 800 233
Rand value loss	5 922 649	2 866 412
Percentage loss	11,24 %	8,30 %
Water losses		
Units purchased	3 943 986	3 884 835
Units sold	(3 545 853)	(3 285 502)
Total	398 133	599 333
Rand value loss	680 773	934 147
Percentage loss	10,09 %	15,42 %
41. Contracted services		
Outsourced Services		
Security services	4 273 428	3 584 187
Consultants and Professional Services		
Business and advisory	7 729 753	2 818 047
Legal cost	2 023 063	2 113 900
Contractors		
Electrical	3 478 261	4 347 826
Maintenance - labour costs	1 375 319	576 031
Medical services	301 655	402 612
	19 181 479	13 842 603
Included under business and advisory		
Accounting services	2 661 476	758 146
Audit committee	189 224	149 601
Valuers and assessors	114 050	2 678
Prepaid electricity services	3 093 266	365 597
Other	1 671 737	1 542 025
	7 729 753	2 818 047

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Figures in Rand	2024	2023
42. General expenses		
Advertising	182 402	288 185
Auditors remuneration	6 042 496	6 172 311
Bank charges	237 307	245 295
Computer expenses	2 908 737	3 497 364
Entertainment	178 466	92 432
Fines and penalties	4 275	1 900
Hire charges	3 323 466	1 883 999
Insurance	637 898	1 023 990
Materials and supplies	11 888 343	11 301 187
Motor vehicle expenses	99 827	109 503
Fuel and oil	4 556 633	5 635 965
Printing and stationery	-	78 730
Protective clothing	854 040	67 504
Licence fees	19 435	24 062
Subscriptions and membership fees	899 498	904 452
Telephone and fax	660 369	720 562
Training	2 736 848	837 517
Travel - local	1 626 653	1 665 996
Transport costs	308 842	199 805
Operating grant expenditure	4 757 748	3 265 574
Remuneration of ward committees	503 000	530 500
Workmens Compensation Fund	520 680	518 412
Chemicals	12 454 450	12 221 084
Other expenses	481 274	160 203
	55 882 687	51 446 532
43. Fair value adjustments		
Investment property	506 053	-
Other financial assets		
• Share investments	271 781	181 914
	777 834	181 914
44. Loss on disposal of assets and liabilities		
Investment property	-	1 774 248
Infrastructure assets	2 668 931	9 502 993
Community assets	609 518	986 209
Other property, plant and equipment	99 636	120 712
	3 378 085	12 384 162

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45. Cash generated from operations		
(Deficit) surplus	(12 553 532)	4 106 374
Adjustments for:		
Depreciation and amortisation	25 443 269	30 378 645
Gain on sale of assets and liabilities	3 378 085	12 384 162
Public contributions and donations	(3 332 827)	(2 383 148)
Community donations	4 946 058	11 119 285
Debt forgiveness	(13 311 262)	(2 787 690)
Fair value adjustments	(777 834)	(181 914)
Finance costs - Finance leases	879 476	924 942
Finance costs - trade payables	13 640 036	9 332 924
Debt impairment	17 552 414	10 770 755
Movements in retirement benefit assets and liabilities	1 354 835	(524 667)
Movements in provisions	6 245 808	4 462 707
Impairment of assets	3 599 363	454 719
Loss on biological assets and agricultural produce	(99 900)	609 800
Changes in working capital:		
Inventories	(769 501)	624 756
Other receivables from exchange transactions	(3 809 682)	(1 244 173)
Consumer debtors	(24 950 487)	(36 331 102)
Payables from exchange transactions	48 378 806	30 785 854
VAT	(4 650 323)	(1 442 648)
Consumer deposits	151 087	14 982
Unspent conditional grants and receipts	(38 701)	4 614 992
	61 275 188	75 689 555
46. Auditors' remuneration		
Fees	6 042 496	6 172 311
47. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	15 597 532	48 811 503
Total capital commitments		
Already contracted for but not provided for	15 597 532	48 811 503
Total commitments		
Total commitments		
Authorised capital expenditure	15 597 532	48 811 503
48. Contingencies		
Contingent liabilities		
<u>Senwes Limited</u>	68 720	68 720
Senwes Limited is taking the municipality to court to review an application to set aside the council resolution of June 2020 to approve tariff policy and the specific basic electricity charge in respect of the industrial silos.	-	-

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48. Contingencies (continued)

<u>BP Dikoko</u>	440 473	-
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The former Director Technical Services is taking the municipality to court over the appointment of the Director Technical Services position. The matter was dismissed with cost on 19 July 2024.

509 193	68 720
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Contingent assets

<u>Senwes Limited</u>	866 048	-
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The municipality is taking Senwes Limited to court for debt owing in respect of electricity charges which Senwes Limited is disputing the tariff used in billing.

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<u>I van Aardt</u>	140 790	-
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Disciplinary hearing of employer/employee dispute over alleged act of negligence for incorrect Council minutes.

<u>NSM Civils & JN Waterworks</u>	2 747 350	-
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The matter is relating to the contractor failing to deliver mechanical equipment for refurbishment of the Phahameng sewer pumpstation project.

3 754 188	-
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49. Related parties

Relationships
Related entities

- Director: TJ Matyesini (Chief Finance Officer)
- Nomzi Fragrances
 - Registration number : K2022337039
- MJ Mahlanyane (Director Community Services)
- Free State Arts and Culture Council
- Director: MA Muller (Councillor)
- Mulcon Civils
 - Registration number: B2011100388
- Director: KP Dial (Councillor)
- Motaung and Motshweneng Associates
 - Registration number: K2022449643
- Director: TA Soaisa (Councillor)
- Nettsector Multi-Purpose
 - Registration number: C2011004875
 - Lavida Co-operative Limited
 - Registration number: C2021013414

Members of key management

- MLE Leseane (Accounting Officer)
TJ Matyesini (Chief Financial Officer)
MJ Mahlanyane (Director Community Services)
SS Rabanye (Director Corporate Services)
LS Malokase (Director Technical Services)

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49. Related parties (continued)

Related party transactions

Service charges rendered to related parties (Councillors)

Mayor: KR Phukuntsi	4 965	10 297
Part-time Exco member: JM Radienyane	2 190	2 066
Part-time Exco member: EJ Pretorius	2 088	1 867
Part-time Chairperson Sec 79 committee: SH Gaebee	2 190	2 066
Part-time councillor: MM Snyer	8 086	2 066
Part-time councillor: MS Baleni	2 190	2 066
Part-time councillor: TA Soaisa	-	2 066
Part-time councillor: EG Pretorius	2 110	5 724
Part-time councillor: MA Muller	2 893	4 998
Part-time councillor: WM Nkomo	2 190	2 066
Part-time councillor: MC Mphatsoe	2 190	2 066
Part-time councillor: KP Dial	2 190	2 066
Part-time councillor: TS Shuping	2 190	2 066
Part-time councillor: MJ Rabanyane	2 190	2 066
Part-time councillor: RA Potsanyane	2 190	2 066
Part-time councillor: NS Twana (deceased)	2 555	2 582

Property rates levied to related parties (Councillors)

Part-time Exco member: JM Radienyane	-	3
Part-time Exco member: EJ Pretorius	266	247
Part-time Chairperson Sec 79 committee: SH Gaebee	257	243
Part-time councillor: TA Soaisa	-	6
Part-time councillor: EG Pretorius	5 944	5 587
Part-time councillor: MA Muller	14 048	13 252
Part-time councillor: KP Dial	257	243
Part-time councillor: TS Shuping	1 184	1 117
Part-time councillor: MJ Rabanyane	154	146
Part-time councillor: RA Potsanyane	154	1
Part-time councillor: NS Twana	1 987	2 714
Director Community Services: MJ Mahlanyane	6 480	7 860
Director Corporate Services: SS Rabanye	2 190	1 940
Director Technical Services: LS Malokase	10 309	162

Property rates rendered to related parties (Key management)

Director Community Services - MJ Mahlanyane	5 198	4 905
Director Corporate Services - SS Rabanye	1 739	2 611

Remuneration of management

Management class: Councillors

Refer to Note 34: Remuneration of councillors and Note 60: Additional disclosure in terms of the MFMA.

Management class: Executive management

Refer to Note 33: Employee related costs.

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50. Accounting by principals and agents

The entity is a party to two principal-agent arrangements.

Agent in Principal-Agent

Tswelopele Local Municipality is the agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deducts specified amounts from the salaries of municipal employees on behalf of the Principle in exchange for commission of 2,5% and 5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There are no risks and benefits associated with the principal agent arrangement.

Compensation received from the agency activities

Commission (payroll deductions)	371 823	321 796
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The municipality was paid 2,5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points

Principal in Principal-Agent

The municipality is the agent in the Principal-Agent arrangement with Cigicell. Cigicell undertakes pre-paid electricity sales through the use of third party vendors on behalf of Tswelopele Local Municipality in return for commission of 2,25%. No significant judgements were applied in determining if the municipality was the principal. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no risks and benefits associated with the principal agent arrangement.

Compensation incurred from principal activities

Commission (Prepaid electricity services)	3 093 266	365 596
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Tswelopele Local Municipality paid commission to CigiCell (Pty) Ltd for acting as a principal on its behalf during the financial year. Commission to Cigicell (Pty) Ltd is comprised of 2.25% of prepaid electricity sales, 30% of sales above baseline and fixed charges for meter readings.

Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

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51. Change in estimate

Property, plant and equipment

A charge in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Infrastructure	1 653 990	(786 793)
Community	701 584	(246 696)
Operational buildings	-	(81 935)
Other property, plant and equipment	1 404 612	-
Environmental rehabilitation (provision)	-	(13 692 467)
	3 760 186	(14 807 891)

52. Prior period errors

Presented below are those items contained in the Statement of financial position and Statement of financial performance that have been affected by prior period errors:

Statement of financial position

2024	Note	As previously reported	Correction of error	Reclassification	Restated
Other receivables from exchange transactions	4	2 945 529	(25 875)	-	2 919 654
Receivables from non-exchange transactions	5	20 098 203	(264 534)	-	19 833 669
VAT Receivable	6	22 882 405	(6 744 479)	-	16 137 926
Receivables from exchange transactions	7	28 691 784	(958 429)	-	27 733 355
Property, plant and equipment	11	585 515 621	7 172 914	-	592 688 535
Payables from exchange transactions	16	(157 178 869)	(151 087)	-	(157 329 956)
Accumulated surplus: Opening balance		(543 248 706)	9 228 142	-	(534 020 564)
(Surplus) deficit for the year		4 150 280	(8 256 652)	-	(4 106 372)
		(36 143 753)	-	-	(36 143 753)

Statement of financial performance

2024	Note	As previously reported	Correction of error	Reclassification	Restated
Property rates	26	(36 647 353)	6 146 043	-	(30 501 310)
Depreciation and amortisation	36	29 871 685	506 960	-	30 378 645
Debt impairment	38	25 506 991	(14 736 236)	-	10 770 755
Impairment of assets	39	455 159	(440)	-	454 719
Loss on disposal of assets and liabilities	11	12 708 229	(324 067)	-	12 384 162
Contracted services	41	13 691 516	151 087	-	13 842 603
		45 586 227	(8 256 653)	-	37 329 574

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52. Prior period errors (continued)

Errors

The following prior period error adjustments occurred:

Property, plant and equipment

During the current year's physical asset verification and the compilation of the asset register, a number of items were identified that required a prior period adjustment to ensure the completeness and accuracy of the asset register. These adjustments were made retrospectively.

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Property, plant and equipment	7 172 914	7 172 914
(Increase) decrease in Accumulated surplus: Opening balance	(7 355 367)	(7 355 367)
(Surplus) deficit for the year	182 453	-

Statement of financial performance:

Increase (decrease) in Depreciation and amortisation	-	506 960
Increase (decrease) in Impairment of assets	-	(440)
Increase (decrease) in Loss on disposal of assets and liabilities	-	(324 067)
	<u>-</u>	<u>-</u>

Payables from exchange transactions

Recognition of commission charges for prepaid electricity sales not previously recognised in 2023. These adjustments were made retrospectively.

The effect of the correction is as follows:

Statement of financial position:

(Increase) decrease in Payables from exchange transactions	(151 087)	(151 087)
(Surplus) deficit for the year	151 087	-

Statement of financial performance:

Increase (decrease) in Contracted services	-	151 087
	<u>-</u>	<u>-</u>

VAT Accrual

VAT accruals corrections for 2023 debt impairment calculations and the understatement of VAT output accrual per age analysis.

These adjustments are made retrospectively.

The effect of the correction is as follows:

Statement of financial position

Increase (decrease) in VAT accrual	(6 854 999)	(6 854 999)
(Increase) decrease in Accumulated surplus: Opening balance	5 964 891	5 964 891
(Surplus) deficit for the year	890 108	-

Statement of financial performance

Increase (decrease) in debt impairment	-	890 108
	<u>-</u>	<u>-</u>

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52. Prior period errors (continued)

Other receivables from exchange transactions

An assessment was made for long outstanding debtors balance and a debt impairment recognised.

These adjustments were made retrospectively.

The effect of the correction is as follows:

Statement of financial position

Increase (decrease) in other receivables from exchange transactions	(25 875)	(25 875)
(Surplus) deficit for the year	25 875	-

Statement of financial performance

Increase (decrease) in debt impairment	-	25 875
	<u>-</u>	<u>-</u>

Receivables from non-exchange transactions

During the current year, management reviewed its provision for impairment calculation and methodology and identified that it did not comply with the requirements of GRAP 104, as it does not make provision for impairment of Government debt. The methodology was revisited and the was calculation reperformed and the necessary adjustments were made retrospectively.

The effect of the effect was as follows:

Statement of financial position

Increase (decrease) in receivables from non-exchange transactions	5 729 387	5 729 387
Increase (decrease) in receivables from exchange transactions	(958 429)	(958 429)
Increase (decrease) in VAT accrual	110 520	110 520
(Surplus) deficit for the year	(4 881 478)	-

Statement of financial performance

Increase (decrease) in debt impairment	-	(4 881 478)
	<u>-</u>	<u>-</u>

Property rates

Reversal of property rates receivables and revenue levied from 1 July 2021 on the Department of Water and Sanitation for dams that qualify as Government Infrastructure and categorised as Public Service Infrastructure in terms of sections 7(2)(1)(a)(ii) and (1)(A) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004).

Statement of financial position

Increase (decrease) in receivables from non-exchange transactions	(5 993 920)	(5 993 920)
(Increase) decrease in Accumulated surplus: Opening balance	10 618 618	10 618 618
(Surplus) deficit for the year	(4 624 698)	-

Statement of financial performance

(Increase) decrease in property rates	-	6 146 043
Increase (decrease) in debt impairment	-	(10 770 741)
	<u>-</u>	<u>-</u>

53. Comparative figures

Certain comparative figures have been reclassified.

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54. Risk management

Liquidity risk

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

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	7 100 025	-	-	-
Trade and other payables	177 226 273	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 816 886	2 429 631	-	-
Financial lease obligation	375 888	-	-	-
Trade and other payables	130 390 521	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents 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. Based on the municipality's mandate and customer base, management does not evaluate credit risk relating to customers on an ongoing basis.

Due to the nature of operations of the operations of the municipality, the impact is that there will be a significant level of impairment due to non-payment of customers.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in the fair value prices of biological assets. Due to the market and nature of the municipality's biological assets, the market risk is not managed.

The fluctuations will cause a decrease or increase in the surplus or deficit of the municipality.

Interest rate risk

The loan contract between the municipality and the DBSA is at a fixed rate of 11,5% and therefore there is no risk of unanticipated fluctuations in this loan,

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55. Financial instruments disclosure			
Categories of financial instruments			
2024			
Financial assets			
	At fair value	At amortised cost	Total
Other financial assets	1 629 742	-	1 629 742
Receivables from exchange transactions	-	28 588 330	28 588 330
Other receivables from exchange transactions	-	6 729 336	6 729 336
Cash and cash equivalents	-	17 679 531	17 679 531
	1 629 742	52 997 197	54 626 939
Financial liabilities			
		At amortised cost	Total
Other financial liabilities		7 100 025	7 100 025
Payables from exchange transactions		192 826 873	192 826 873
Consumer deposits		1 814 318	1 814 318
		201 741 216	201 741 216
2023			
Financial assets			
	At fair value	At amortised cost	Total
Other financial assets	1 357 961	-	1 357 961
Receivables from exchange transactions	-	27 733 355	27 733 355
Other receivables from exchange transactions	-	2 919 654	2 919 654
Cash and cash equivalents	-	10 480 743	10 480 743
	1 357 961	41 133 752	42 491 713
Financial liabilities			
		At amortised cost	Total
Other financial liabilities		6 246 517	6 246 517
Payables from exchange transactions		144 284 082	144 284 082
Consumer deposits		1 663 231	1 663 231
		152 193 830	152 193 830
56. Unauthorised expenditure			
Opening balance as previously reported		52 138 739	31 767 931
Add: Unauthorised expenditure - current		63 608 660	48 973 141
Less: Amount authorised - prior period		-	(28 602 333)
Closing balance		115 747 399	52 138 739

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56. Unauthorised expenditure (continued)		
Details of unauthorised expenditure		
Executive Council	4 988 119	10 314 895
Budget and Treasury	33 649 071	32 572 420
Electricity	8 041 916	-
Community Services	9 958 584	6 085 826
Waste Water Management	301 162	-
Roads	2 947 959	-
Water Services	3 721 849	-
	63 608 660	48 973 141

The unauthorised expenditure has been disclosed exclusive of VAT.

The prior year unauthorised expenditure has been restated to include non-cash items in accordance with MFMA Circular No. 68.

57. Fruitless and wasteful expenditure

Opening balance as previously reported	4 727 303	2 186 685
Add: Fruitless and wasteful expenditure identified - current	13 641 644	9 366 529
Less: Amount recovered - current	(1 609)	-
Less: Amount recovered - prior period	(2 995 499)	-
Less: Amount written off - current	(11 097 831)	(5 183 073)
Less: Amount written off - prior period	-	(1 642 838)
Closing balance	4 274 008	4 727 303
Details of fruitless and wasteful expenditure		
Eskom: interest on overdue accounts	11 086 760	6 949 941
Sandvet: interest on overdue accounts	2 476 907	2 203 827
Other suppliers: interest on overdue accounts	4 852	157 428
Auditor-General of South Africa: interest on overdue accounts	73 125	55 334
	13 641 644	9 366 530

During the year under review, after the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 3 397 244 on 27 February 2024 and R 7 700 587 on 27 June 2024 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

During the year under review Eskom reversed interest of R1 2 324 157 as part of the debt relief programme, of which R 9 330 247 had been previously written off by Council.

The recoveries relate to interest charges reversed by Eskom for the debt relief programme that had not been previously written off by Council.

58. Irregular expenditure

Opening balance as previously reported	89 345 943	77 320 663
Add: Irregular expenditure - current	57 579 340	52 370 821
Less: Amount written off - current	(24 706 441)	(15 082 201)
Less: Amount written off - prior period	(6 626 765)	(25 263 340)
Closing balance	115 592 077	89 345 943

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58. Irregular expenditure (continued)

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

Strip and quote	-	15 748
Other	4 801 884	6 331 781
Non-compliance with SCM requirements	50 266 203	38 959 427
Tenders payments exceeding contract amount	524 796	7 063 865
Adjustments- tenders, senior SCM Practitioner	1 986 457	-
	57 579 340	52 370 821

After the completion of the council committee investigations, the council resolved to write off of irregular expenditure incurred amounting to R 6 626 765 and R 24 706 441 on 27 February 2024 and 27 June 2024, respectively.

59. 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.

Details of deviations:

Emergencies	748 038	3 476 689
Impractical/impossible	3 697 076	2 696 472
	4 445 114	6 173 161

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	82 064	65 647
Amount paid - current year	(82 064)	(65 647)
	-	-

Audit fees

Opening balance	-	255 106
Current year audit fee	7 021 985	7 153 492
Amount paid - current year	(7 021 985)	(7 408 598)
	-	-

PAYE and UIF

Opening balance	-	765 470
Current year payroll taxes	13 139 018	11 523 805
Amount paid - current year	(13 139 018)	(12 289 275)
	-	-

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

Pension and medical aid funds

Opening balance	-	943 448
Current year contributions and deductions	24 536 660	20 918 926
Amount paid - current year	(24 536 660)	(21 862 374)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	20 788 247	16 137 927
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Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor: KR Phukuntsi	1 520	664	2 184
Part-time Exco member: JM Radienyane	210	-	210
Part-time Chairperson Sec 79 committee: SH Gaebee	231	-	231
Part-time councillor: MM Snyer	1 244	-	1 244
Part-time councillor: MS Baleni	210	-	210
Part-time councillor: EG Pretorius	651	-	651
Part-time councillor: MA Muller	1 378	-	1 378
Part-time councillor: WM Nkomo	210	-	210
Part-time councillor: MC Mphatsoe	210	-	210
Part-time councillor: KP Dial	231	-	231
Part-time councillor: TS Shuping	308	-	308
Part-time councillor: MJ Rabanyne	223	-	223
Part-time councillor: RA Potsanyane	210	-	210
	6 836	664	7 500

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor: KR Phukuntsi	160	-	160
Part-time Exco member: JM Radienyane	198	-	198
Part-time Exco member: EJ Pretorius	601	257	858
Part-time Chairperson Sec 79 committee: MC Mphatsoe	14	-	14
Part-time councillor: MM Snyer	198	-	198
Part-time councillor: MS Baleni	198	-	198
Part-time councillor: TA Soaisa	198	-	198
Part-time councillor: EG Pretorius	686	-	686
Part-time councillor: MA Muller	2 586	-	2 586
Part-time councillor: SH Gaebee	218	-	218
Part-time councillor: WM Nkomo	198	-	198
Part-time councillor: KP Dial	218	-	218
Part-time councillor: TS Shuping	291	-	291
Part-time councillor: MJ Rabanyne	209	-	209
Part-time councillor: RA Potsanyane	198	-	198
Part-time councillor: NS Twana	2 339	4 014	6 353
	8 510	4 271	12 781

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

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount	Aging (in days)
30 June 2024		
Mayor: KR Phukuntsi	664	120
30 June 2023		
Part-time councillor - TA Soaisa	2 123	365
Part-time councillor - NS Twana	307	365
	2 430	730

61. Material non-compliance

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

The municipality was approved for the Eskom debt relief programme subject to prescribe conditions including paying monthly accounts and enhancing revenue collection. The municipality did not comply with the condition of paying monthly accounts from April 2023 to January 2024 due to cash-flow constraints.

62. Budget differences

Material differences between budget and actual amounts

Variances of more than 10% between actual results and budgeted amounts are considered material and explanations for these variances are included below.

Statement of Financial Performance

A1 - The following factors contributed towards budget overstatement for service charges:

- a) Budgeted billing for the new developing areas (Ext 9);
- b) a higher anticipated electricity tariff approval from NERSA.

A2 - Some of the rental contracts were due to expire during 2024 FY, however, the land was still in use post the expiry of contracts.

A3 - A new tariff structure to levy charges for building plans was approved and implemented after the approval of the 2024 adjustment budget.

A4 - Less insurance claims were made during 2024.

A5 - Capital grants were invested for a period longer and the interest rates were higher than anticipated during the year. Additional R 6 million received in 2023 was also invested for the period of rollover approval.

A6 - The fair value of Senwesbel shares increased with only 12% during 2024 (compared to an increase of 27% in 2023) leading to less dividends paid out than expected.

A7 - A list of properties objected and appealed in the valuation roll were taken into consideration when budgeting for 2024. The appeal processes were only finalised post approval of adjustment budget.

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62. Budget differences (continued)

A8 - The amount budgeted only relates to interest charged that is expected to be recovered.

A9 - Indirect capital grants are not budgeted for.

A10 - Municipality did not budget for donations for budget year 2024.

A11 - More traffic fines were issued during the year than anticipated.

A12 - This is revenue arising from debt forgiveness relating Auditor-General Debt that could not be budgeted for.

A13 - Gazetted increase of councillors remuneration was higher than budgeted.

A14 - Expensed grant funded project.

A15 - Depreciation calculation is difficult to estimate due to changes in useful life, additions and disposals during the year.

A16 - When budgeting for finance cost, the Municipality took into consideration the condition of the circular 124 and the planned payment arrangements between the municipality and bulk suppliers.

A17 - The budget for lease rentals is included under line item for General Expense because NT A-schedule does not make provision for line item of Lease Rental

A18 - The amount budgeted relates to the expected debt that will be written off and did not take into account the movement in the impairment allowance.

A19 - The budget for impairment of assets could not be determined during the budgeting process.

A20 - The municipality used incremental budgeting for electricity for 2024 budget, however, reduction in loadshedding resulted in increase in electricity consumption.

A21 - The municipality had budgeted for the total costs of smart metering project. However the contractor recouped their costs on commission basis.

A22 - The municipality had not budgeted for unforeseen instances of emergencies such as chemicals and legal fees.

A23 - This is part of the year-end adjustments and thus not budgeted for.

A24 - Municipality does not have the basis to budget for Fair Value Adjustment which makes it difficult to estimate the amount to be budgeted for in the line item of Fair Value.

A25 - Municipality does not have the basis to budget for gain or loss on Actuarial which makes it difficult to estimate the amount to be budgeted for in the line item of actuarial gains and losses.

A26 - This is informed by the movement on year-end counts, and the municipality does not have the basis for budgeting for net movement of the biological assets.

Statement of Financial Position

B1 - Closing balance of inventories relates to the value of inventory-in-store at year-end, it was anticipated that the closing inventory will remain at minimal levels.

B2 - This line item was included in the budget for Receivables from exchange transactions.

B3 - It was anticipated that most of the agricultural properties will be settled due to settlement discount benefit introduced by the municipality.

B4 - Budget for VAT is an estimate of net movement between output and input VAT, and cannot be accurately projected.

B5 - The budget amount did not take into account the allowance for impairment and the amount was not split between current and non-current receivables.

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62. Budget differences (continued)

B6 - Reserved funds were redeemed and utilised for service delivery purposes.

B7 - It was anticipated that number of biological assets at year-end will be higher at the end of 2024 financial period.

B8 - Financial assets are budgeted for, under cash and cash equivalents.

B9 - The budget did not split current portion from non-current.

B10 - The budget did not split current portion from non-current.

B11 - Installments towards DBSA loan were delayed due to commitment relating to other financial commitments that are service delivery related.

B12 - The budget amount accounted for the debt relief that was expected from Eskom.

B13 - Consumer deposits were expected to decrease from the prior year due to installations of pre-paid electricity meters. The project was not yet completed at year end.

B14 - The municipality used incremental budgeting for this line item, as termination benefits as well as other employee benefits are difficult to accurately estimate during budgeting.

B15 - Implementation of all capital projects were projected to be concluded before the end of 2024 financial period.

B16 - In the budget the amount was split between the current and non-current portion.

B17 - The amount budgeted for the provision was based on the movement in provisions budgeted for in the Income statement.

Cashflow Statement

C1 - All cashflow movements are informed by the movement in the Statement of Financial Position and Statement of Financial Performance.

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of 11 main votes. Management uses these same segments for compilation of the Integrated Development Planning (IDP) and Service Delivery and Budget Implementation Plan (SDBIP), budget as well as monthly and quarterly reporting. 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.

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63. 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	Reportable segment	Goods and/or services
Vote 1	Executive and Council	Provides political leadership to the municipality for the generation of economic benefits and service potential.
Vote 2	Budget and Treasury	Provides financial leadership to the municipality for the generation of economic benefits and service potential.
Vote 3	Community and Social Services	Provides social services, public safety, public spaces, local economic development and housing to the municipality for the generation of economic benefits and service potential.
Vote 4	Public Safety	Provides public safety to the municipality for the generation of economic benefits and service potential.
Vote 5	Sport and Recreation	Provides sport fields to the municipality for the generation of economic benefits and service potential.
Vote 6	Waste Management	Provides infrastructure for the provision of refuse removal to the municipality for the generation of economic benefits and service potential.
Vote 7	Waste Water Management	Provides infrastructure for the provision of sanitation to the municipality for the generation of economic benefits and service potential.
Vote 8	Road and Transport	Provides infrastructure for the provision of water to the municipality for the generation of economic benefits and service potential.
Vote 9	Water	Provides infrastructure for the provision of water to the municipality for the generation of economic benefits and service potential.
Vote 10	Electricity	Provides infrastructure for the provision of electricity to the municipality for the generation of economic benefits and service potential.
Vote 11	Corporate Services	Provides legal and management services including HR and IT to the municipality for the generation of service potential.

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63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
Revenue											
Service charges	-	-	-	53 270 708	-	-	-	4 044 097	7 274 314	6 969 405	71 558 524
Rental of facilities and equipment	-	658 801	-	-	927 740	5 569	52 258	-	-	-	1 644 368
Licences and permits	-	93 896	-	-	-	-	-	-	-	-	93 896
Operational revenue	495 868	603 148	160 575	167 771	-	15 107	-	-	-	26 788	1 469 257
Interest received - investments	3 244 455	-	-	-	-	-	-	-	-	-	3 244 455
Dividend received	141 015	-	-	-	-	-	-	-	-	-	141 015
Property rates	32 243 757	-	-	-	-	-	-	-	-	-	32 243 757
Interest received - property revenue	6 820 191	-	-	-	-	-	-	-	-	-	6 820 191
Government grants and subsidies	2 100 000	-	-	7 988 049	98 392 000	23 588 239	-	-	-	31 942 571	164 010 859
Public contributions and donations	-	-	-	-	-	3 332 827	-	-	-	-	3 332 827
Fines and penalties	91 200	859 500	-	-	-	-	-	-	-	-	950 700
Debt forgiveness	13 311 262	-	-	-	-	-	-	-	-	-	13 311 262
Fair value adjustments	777 834	-	-	-	-	-	-	-	-	-	777 834
Gain on biological assets	-	99 900	-	-	-	-	-	-	-	-	99 900
Total segment revenue	59 225 582	2 315 245	160 575	61 426 528	99 319 740	26 941 742	52 258	4 044 097	7 274 314	38 938 764	299 698 845

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63. Segment information (continued)

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Waste Water Management	Total
Expenditure											
Employee related costs	18 544 429	18 824 757	11 854 923	4 161 383	4 764 775	11 591 365	-	8 560 847	8 576 408	5 457 810	92 336 697
Remuneration of councillors	-	-	-	-	6 993 152	-	-	-	-	-	6 993 152
Community donations	-	-	-	-	-	-	-	-	4 946 058	-	4 946 058
Depreciation and amortisation	-	-	-	-	-	25 443 269	-	-	-	-	25 443 269
Finance costs	14 429 629	-	-	-	6 245 808	-	-	-	853 508	-	21 528 945
Lease rentals	-	-	215 046	-	-	-	-	-	-	-	215 046
Debt impairment	12 076 508	253 329	-	6 760	413 306	-	-	1 489 314	2 156 249	1 156 951	17 552 417
Impairment of assets	-	-	-	-	-	3 599 363	-	-	-	-	3 599 363
Bulk purchases	-	-	-	52 694 285	-	-	-	-	-	6 743 880	59 438 165
Contracted services	7 728 707	5 463	2 324 718	4 257 385	4 306 621	218 865	-	26 804	192 695	120 221	19 181 479
General expenses	11 145 154	1 062 453	4 631 594	2 593 126	7 591 243	8 122 466	65 712	1 204 942	3 576 059	15 889 938	55 882 687
Loss on disposal of assets and liabilities	-	-	-	-	-	3 378 084	-	-	-	-	3 378 084
Actuarial losses	1 757 015	-	-	-	-	-	-	-	-	-	1 757 015
Total segment expenditure	65 681 442	20 146 002	19 026 281	63 712 939	30 314 905	52 353 412	65 712	11 281 907	20 300 977	29 368 800	312 252 377
Total segmental surplus/(deficit)											(12 553 532)

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

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63. Segment information (continued)

2023

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Water Management	Waste Water Management	Water	Total
Revenue											
Service charges	-	-	-	46 635 117	-	-	-	3 754 739	6 667 368	5 358 718	62 415 942
Rental of facilities and equipment	-	579 619	-	-	1 227 005	19 457	28 023	-	-	-	1 854 104
Licences and permits	-	133 405	-	-	-	-	-	-	-	-	133 405
Operational revenue	3 184 109	424 753	140 065	100 631	1 489	10 876	-	-	-	11 525	3 873 448
Interest received - Investment	1 934 365	-	-	-	-	-	-	-	-	-	1 934 365
Dividends received	116 750	-	-	-	-	-	-	-	-	-	116 750
Property rates	30 501 310	-	-	-	-	-	-	-	-	-	30 501 310
Interest - property revenue	6 271 001	-	-	-	-	-	-	-	-	-	6 271 001
Government grants and subsidies	2 100 000	-	-	8 418 269	92 360 000	25 340 895	-	-	-	45 466 399	173 685 563
Public contributions and donations	-	-	-	-	7 527	2 375 621	-	-	-	-	2 383 148
Fines, penalties and forfeits	-	760 550	-	-	-	-	-	-	-	-	760 550
Debt forgiveness	2 787 690	-	-	-	-	-	-	-	-	-	2 787 690
Actuarial gains	419 043	-	-	-	-	-	-	-	-	-	419 043
Fair value adjustments	181 914	-	-	-	-	-	-	-	-	-	181 914
Total segment revenue	47 496 182	1 898 327	140 065	55 154 017	93 596 021	27 746 849	28 023	3 754 739	6 667 368	50 836 642	287 318 233

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	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Water Management	Waste Water Management	Total	
63. Segment information (continued)											
Expenditure											
Employee related costs	16 867 051	14 399 836	11 251 730	3 359 973	3 523 346	10 238 570	-	7 895 101	7 566 579	4 591 491	79 693 677
Remuneration of councillors	-	-	-	-	6 491 480	-	-	-	-	-	6 491 480
Community donations	-	-	-	-	-	-	-	-	11 119 285	-	11 119 285
Depreciation and amortisation	-	-	-	-	-	30 378 645	-	-	-	-	30 378 645
Finance costs	10 296 809	-	-	-	-	-	-	4 462 707	868 939	-	15 628 455
Lease rentals	-	-	158 209	-	-	-	-	-	-	-	158 209
Debt impairment	2 374 918	470 059	-	238 679	638 636	-	-	2 135 117	3 020 563	1 892 784	10 770 756
Impairment of assets	-	-	-	-	-	454 719	-	-	-	-	454 719
Bulk purchases	-	-	-	44 172 635	-	-	-	-	-	6 060 900	50 233 535
Contracted services	2 819 250	14 159	2 516 512	4 566 112	3 608 312	52 921	-	4 927	93 872	166 638	13 842 703
General expenses	12 679 297	666 984	2 457 469	2 701 633	6 166 501	6 381 334	22 511	1 023 497	4 264 003	15 083 204	51 446 433
Loss on disposal of assets and liabilities	-	-	-	-	-	12 384 162	-	-	-	-	12 384 162
Loss on biological assets	-	609 800	-	-	-	-	-	-	-	-	609 800
Total segment expenditure	45 037 325	16 160 838	16 383 920	55 039 032	20 428 275	59 890 351	22 511	15 521 349	26 933 241	27 795 017	283 211 859
Total segmental surplus/(deficit)											4 106 374

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

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63. Segment information (continued)

Information about geographical areas

Tswelopele Local Municipality falls in the Lejweleputswa District area and is situated in the north western parts of the Free State and borders the North West Province to the north. The major towns that form part of the Tswelopele Local Municipality are Bultfontein/Phahameng and Hoopstad/Tikwana as well as their surrounding rural areas. Management has as per the GRAP standards decided to report on Tswelopele as a single geographical area.

Management is of the opinion that as per paragraph 32 of GRAP 18, the cost of developing geographical information would be excessive, secondly, that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

64. Events after the reporting date

The municipality is not aware of any events after reporting date.

65. Going concern

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

We draw attention to the following indicators which indicate that an uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- Current liabilities as a percentage of next years' budget resources is 129%.
- Trade payables for the current year is R177 226 273 compared to R130 239 435 in 2023.
- Retentions payable for the current year is R 6 250 015 compared to R4 348 975 in 2023.
- Capital commitments already contracted for but not provided for the current financial year is R 15 597 532 compared to R48 811 503 in 2023.
- The municipality's current liabilities exceed its current assets by R121 885 794. This increased from 2023 when the net current liability position was R90 867 645.
- The municipality owed Eskom R 151 909 461 (2023: R 110 285 514).
- The municipality owed the waterboard, Sandvet, R20 692 166 (2023: R17 363 908).
- Creditor payment is 481 days.
- Debtor payment period is 199 days.
- 65% of old debtors are expected to be impaired.
- Debt to asset ratio is sitting at 0.36:1
- Creditors as a percentage of cash and cash equivalents is 1176%
- The DBSA loan was in arrears of R 4 598 301, inclusive of interest at year end.

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

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65. Going concern (continued)

Regardless of the negative indicators disclosed above, the following funding procured by the accounting officer will ensure ongoing operations of the municipality:

- At 30 June 2024, the municipality has an accumulated surplus/(deficit) of R525 573 407 and that the municipality's total assets exceed its liabilities by R525 573 407.
- Cash and cash equivalents are positive for 2024: R17 679 531 and 2023: R 10 480 743.
- The surplus / (deficit) for the current year is (R12 553 532) compared to a surplus / (deficit) of the prior year of R4,106,373..
- R73 530 072 of the liabilities for the municipality is based on items that does not form part of the normal day-to-day activities of the municipality.
- Overall, the municipality's assets exceed the municipality's liabilities by R525 573 407.
- Council approved the budget for the 2024/25 to 2026/27 financial years. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three year period.
- The municipality's budget is subject to a very rigorous independent assessment procedures to assess its cash backing status before its ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- The municipality is in the process of implementing revenue enhancement programs. These revenue enhancement programs will include a specific recovery of arrear amounts from clients.
- The municipality is in the process of installing pre-paid electricity meters since the financial period 2022/23 in municipal licenced areas to enhance revenue collection. The project will be completed in the 2024/25 financial period.
- The DoRA allocation for the grant to be received in the 2024/25 financial year equals R 102 959 000.
- The municipality has a funding plan in place to service long outstanding debt and improve its financial position.