



Matjhabeng Local Municipality
Annual Financial Statements

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Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
Executive Mayor	TD Khalipha
Members of the Mayoral Committee	TD Khalipha - Executive Major HA Mokhomo - Finance M Buti - LED, SMME's Agriculture & Tourism MC Radebe - Human Settlement X Masina - Infrastructure ML Radebe - IDP, Performance & Evaluation KR Tlake - Community Services & Public Safety KV Moipatle - Sports, Arts & Culture S Moshoeu - Corporate Services and Good Governance S Ramalefane - Fleet Disaster & Service Delivery
Councillors	Refer to councilors' note for detail
Grading of local authority	Local High Capacity Municipality (Grade 5)
Chief Finance Officer (CFO)	TC Panyani
Accounting Officer (MM)	Adv. LMR Ngoqo TC Panyani
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	P O Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited
Attorneys	Full list available at the municipal offices in Welkom
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.co.za

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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Accounting officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on page 16 to 99, which have been prepared on the going concern basis, were approved by the acting accounting officer on 13 January 2025 and were signed on its behalf by:

TC Panyani
Acting Accounting Officer

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Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	4	7,679,889	4,841,445
Other receivables	7	51,841,995	32,460,792
Receivables from non-exchange transactions	6	407,070,167	289,941,408
VAT receivable	8	1,020,233,352	968,241,561
Receivables from exchange transactions	5	1,684,927,499	1,122,194,190
Cash and cash equivalents	3	44,171,709	125,689,425
		3,215,924,611	2,543,368,821
Non-Current Assets			
Investment property	10	2,099,212,887	2,054,238,999
Property, plant and equipment	11	3,951,237,340	4,061,648,819
Heritage assets	12	7,077,539	7,077,539
Other financial assets	9	568,885	474,015
Receivables from non-exchange transactions	6	8,992,343	6,656,453
Receivables from exchange transactions	5	939,250	3,024,690
		6,068,028,244	6,133,120,515
Total Assets		9,283,952,855	8,676,489,336
Liabilities			
Current Liabilities			
Concessionary loan	14	1,750,113,244	-
Payables from exchange transactions	13	8,002,010,911	12,003,402,140
Consumer deposits	15	46,390,416	43,478,153
Employee benefit obligation	17	26,397,910	12,680,586
Unspent conditional grants and receipts	16	74,598,566	118,957,275
		9,899,511,047	12,178,518,154
Non-Current Liabilities			
Concessionary loan	14	3,500,226,489	-
Employee benefit obligation	17	466,833,241	429,455,009
Provisions	18	122,982,155	110,327,151
		4,090,041,885	539,782,160
Total Liabilities		13,989,552,932	12,718,300,314
Net Assets		(4,705,600,077)	(4,041,810,978)
Accumulated deficit		(4,705,600,077)	(4,041,810,978)
Total Net Assets		(4,705,600,077)	(4,041,810,978)

* See Note 46

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	1,586,322,742	1,380,167,686
Rental of facilities and equipment	20	22,068,618	20,824,594
Commissions received	22	19,063,603	17,214,328
Other income	24	10,559,637	23,113,739
Interest income	25	539,453,698	410,560,083
Dividends received	25	49,223	40,753
Total revenue from exchange transactions		2,177,517,521	1,851,921,183
Revenue from non-exchange transactions			
Taxation revenue			
Availability charges	23	49,323,113	41,198,475
Property rates	26	476,300,003	410,716,551
Municipal relief - Interest write-off	27	347,338,131	-
Transfer revenue			
Government grants & subsidies	28	884,725,127	765,139,497
Public contributions and donations	29	-	4,217,105
Fines, Penalties and Forfeits	21	2,464,406	1,992,996
Total revenue from non-exchange transactions		1,760,150,780	1,223,264,624
Total revenue		3,937,668,301	3,075,185,807
Expenditure			
Employee related costs	30	(972,772,682)	(986,887,805)
Remuneration of councillors	31	(37,982,260)	(35,638,877)
Depreciation and amortization	32	(213,716,833)	(195,523,181)
Finance costs	34	(242,872,235)	(334,355,678)
Debt Impairment	35	(964,702,520)	(1,116,245,618)
Bulk purchases	36	(1,474,662,864)	(1,250,446,211)
Contracted services	37	(122,588,997)	(126,300,301)
General Expenses	38	(221,385,177)	(290,872,882)
Repairs and maintenance	39	(31,085,404)	(13,709,294)
Total expenditure		(4,281,768,972)	(4,349,979,847)
Operating deficit		(344,100,671)	(1,274,794,040)
Fair value adjustments	40	49,868,756	117,635,196
Actuarial gains/losses	17	22,381,768	99,108,346
Impairment loss	33	(1,836,429)	(25,035,938)
		70,414,095	191,707,604
Deficit for the year		(273,686,576)	(1,083,086,436)

* See Note 46

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Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Figures in Rand		
Balance at 1 July 2022	(3,104,008,319)	(3,104,008,319)
Changes in net assets		
Correction of errors - Note 46	(178,707,147)	(178,707,147)
Net income (losses) recognised directly in net assets	(178,707,147)	(178,707,147)
Surplus for the year	1,116,509,819	1,116,509,819
Total changes	(937,802,659)	(937,802,659)
Restated* Balance at 1 July 2023	(4,041,810,978)	(4,041,810,978)
Changes in net assets		
Other Changes	(390,102,523)	(390,102,523)
Net income (losses) recognised directly in net assets	(390,102,523)	(390,102,523)
Total recognised income and expenses for the year	(663,789,099)	(663,789,099)
Total changes	(663,789,099)	(663,789,099)
Balance at 30 June 2024	(4,705,600,077)	(4,705,600,077)

* See Note 46

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Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from taxes, levies and fines		528,087,522	453,908,022
Sale of goods and services		473,244,416	520,790,174
Grants		840,366,418	693,095,646
Interest income		5,835,806	10,323,986
Other receipts		32,310,655	63,288,075
		1,879,844,817	1,741,405,903
Payments			
Employee costs		(947,517,859)	(959,099,611)
Suppliers		(923,288,368)	(676,308,185)
Finance costs		-	(605)
		(1,870,806,227)	(1,635,408,401)
Net cash flows from operating activities	54	9,038,590	105,997,502
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(90,605,528)	(178,599,373)
Proceeds from sale of financial assets		(1)	-
Other cash item		49,223	40,753
Net cash flows from investing activities		(90,556,306)	(178,558,620)
Net increase/(decrease) in cash and cash equivalents		(81,517,716)	(72,561,118)
Cash and cash equivalents at the beginning of the year		125,689,425	198,250,543
Cash and cash equivalents at the end of the year	3	44,171,709	125,689,425

The accounting policies on pages 27 to 48 and the notes on pages 49 to 104 form an integral part of the annual financial statements.

* See Note 46

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	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	2,076,388,000	(100,000,000)	1,976,388,000	1,586,322,742	(390,065,258)	1
Rental of facilities and equipment	28,183,031	-	28,183,031	22,068,618	(6,114,413)	2
Commissions received	-	-	-	19,063,603	19,063,603	3
Other income	533,120,217	-	533,120,217	10,559,637	(522,560,580)	4
Interest received - trade and investment	273,414,626	-	273,414,626	539,453,698	266,039,072	5
Dividends or similar distributions received	37,681	-	37,681	49,223	11,542	6
Total revenue from exchange transactions	2,911,143,555	(100,000,000)	2,811,143,555	2,177,517,521	(633,626,034)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	466,596,611	-	466,596,611	476,300,003	9,703,392	
Availability charges	-	-	-	49,323,113	49,323,113	3
Transfer revenue						
Government grants & subsidies	885,085,000	29,836,000	914,921,000	884,725,127	(30,195,873)	
Gains on disposal	60,000,000	-	60,000,000	-	(60,000,000)	
Fines, Penalties and Forfeits	28,500,875	-	28,500,875	2,464,406	(26,036,469)	8
Municipal relief - Interest write-off	-	-	-	347,338,131	347,338,131	7
Total revenue from non-exchange transactions	1,440,182,486	29,836,000	1,470,018,486	1,760,150,780	290,132,294	
Total revenue	4,351,326,041	(70,164,000)	4,281,162,041	3,937,668,301	(343,493,740)	
Expenditure						
Employee related costs	(952,980,245)	-	(952,980,245)	(972,772,682)	(19,792,437)	
Remuneration of councillors	(39,362,111)	-	(39,362,111)	(37,982,260)	1,379,851	
Depreciation and amortisation	(248,647,800)	-	(248,647,800)	(213,716,833)	34,930,967	9
Finance costs	(183,883,904)	-	(183,883,904)	(242,872,235)	(58,988,331)	10
Debt Impairment	(676,650,731)	-	(676,650,731)	(964,702,520)	(288,051,789)	11
Bulk purchases	(1,524,737,265)	18,638,549	(1,506,098,716)	(1,474,662,864)	31,435,852	
Contracted Services	(97,256,114)	(26,139,456)	(123,395,570)	(122,588,997)	806,573	
General Expenses	(250,700,731)	21,881,807	(228,818,924)	(221,385,177)	7,433,747	
Repairs and maintenance	-	-	-	(31,085,404)	(31,085,404)	3
Total expenditure	(3,974,218,901)	14,380,900	(3,959,838,001)	(4,281,768,972)	(321,930,971)	
Operating deficit	377,107,140	(55,783,100)	321,324,040	(344,100,671)	(665,424,711)	
Fair value adjustments	-	-	-	49,868,756	49,868,756	3
Actuarial gains/losses	-	-	-	22,381,768	22,381,768	3
Impairment loss	-	-	-	(1,836,429)	(1,836,429)	12
	-	-	-	70,414,095	70,414,095	
Deficit before taxation	377,107,140	(55,783,100)	321,324,040	(273,686,576)	(595,010,616)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	295,625,524	(55,783,100)	239,842,424	(1,128,554,026)	(1,561,248,074)	

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Budget on Accrual Basis

	Final approved budget	Shifting of funds	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	-	18,638,549	18,638,549	7,679,889	(10,958,660)	13
Other receivables	-	-	-	51,841,995	51,841,995	3
Receivables from non-exchange transactions	486,054,735	-	486,054,735	407,070,167	(78,984,568)	14
VAT receivable	976,485,635	-	976,485,635	1,020,233,352	43,747,717	
Receivables from exchange transactions	0,856,932,909	(50,000,000)	0,806,932,909	1,684,927,499	(9,122,005,410)	15
Cash and cash equivalents	3,684,437,137	1,895,000	3,686,332,137	44,171,709	(3,642,160,428)	16
	6,003,910,416	(29,466,451)	5,974,443,965	3,215,924,611	2,758,519,354)	
Non-Current Assets						
Investment property	2,319,525,937	-	2,319,525,937	2,099,212,887	(220,313,050)	
Property, plant and equipment	(6,765,783,293)	(102,526,649)	(6,868,309,942)	3,951,237,341	0,819,547,283	17
Heritage assets	7,982,447	-	7,982,447	7,077,539	(904,908)	18
Other financial assets	441,751	-	441,751	568,885	127,134	19
Receivables from non-exchange transactions (non-current)	-	-	-	8,992,343	8,992,343	3
Receivables from exchange transactions (non-current)	259,255,123	-	259,255,123	939,250	(258,315,873)	3
	(4,178,578,035)	(102,526,649)	(4,281,104,684)	6,068,028,245	0,349,132,929	
Total Assets	1,825,332,381	(131,993,100)	1,693,339,281	9,283,952,856	(2,409,386,425)	
Liabilities						
Current Liabilities						
Concessionary loan	-	-	-	1,750,113,244	1,750,113,244	23
Payables from exchange transactions	10,588,982,878	-	10,588,982,878	8,002,010,912	(2,586,971,966)	20
Consumer deposits	-	-	-	46,390,416	46,390,416	3
Employee benefit obligation	-	-	-	26,397,910	26,397,910	3
Unspent conditional grants and receipts	399,350,000	(76,210,000)	323,140,000	74,598,566	(248,541,434)	21
Provisions	459,890,363	-	459,890,363	-	(459,890,363)	3
	11,448,223,241	(76,210,000)	11,372,013,241	9,899,511,048	(1,472,502,193)	
Non-Current Liabilities						
Concessionary loan	-	-	-	3,500,226,489	3,500,226,489	23
Employee benefit obligation	-	-	-	466,833,241	466,833,241	3
Provisions	-	-	-	122,982,155	122,982,155	3
	-	-	-	4,090,041,885	4,090,041,885	
Total Liabilities	11,448,223,241	(76,210,000)	11,372,013,241	3,989,552,933	2,617,539,692	
Net Assets	377,109,140	(55,783,100)	321,326,040	(4,705,600,077)	(5,026,926,117)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	377,109,140	(55,783,100)	321,326,040	(4,705,600,077)	(5,026,926,117)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	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						
Sale of goods and services	2,257,038,539	(50,000,000)	2,207,038,539	1,001,331,938	(1,205,706,601)	24
Grants	885,085,000	(38,105,000)	846,980,000	840,366,418	(6,613,582)	
Interest income	4,800,917	-	4,800,917	5,835,806	1,034,889	25
Dividends or similar distributions received	37,681	-	37,681	-	(37,681)	26
Other receipts	464,475,000	90,000,000	554,475,000	32,310,655	(522,164,345)	27
	3,611,437,137	1,895,000	3,613,332,137	1,879,844,817	(1,733,487,320)	
Payments						
Suppliers and employee costs	(2,714,481,166)	-	(2,714,481,166)	(1,870,806,227)	843,674,939	28
Finance costs	(183,883,904)	-	(183,883,904)	-	183,883,904	29
	(2,898,365,070)	-	(2,898,365,070)	(1,870,806,227)	1,027,558,843	
Net cash flows from operating activities	713,072,067	1,895,000	714,967,067	9,038,590	(705,928,477)	
Cash flows from investing activities						
Purchase of property, plant and equipment	60,000,000	-	60,000,000	(90,605,529)	(150,605,529)	30
Decrease / increase in other non-current assets	259,695,874	-	259,695,874	49,223	(259,646,651)	30
Net cash flows from investing activities	319,695,874	-	319,695,874	(90,556,306)	(410,252,180)	
Net increase/(decrease) in cash and cash equivalents	1,032,767,941	1,895,000	1,034,662,941	(81,517,716)	(1,116,180,657)	31
Cash and cash equivalents at the beginning of the year	-	-	-	125,689,425	125,689,425	3
Cash and cash equivalents at the end of the year	1,032,767,941	1,895,000	1,034,662,941	44,171,709	(990,491,232)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Variance of above 10% between the budgeted amount and the actual are due to the following:

- 1 Enhanced actual readings rather than relying on estimates led to lower service charges than originally budgeted.
- 2 The economic downturn caused rental income to fall short of expectations.
- 3 The alignment techniques between MSCOA and GRAP led to discrepancies in the budget.
- 4 Economic constraints resulted in less training fees and clearance certificates being issued than what was budgeted for.
- 5 Increased debtor's ageing resulted in higher interest charged on overdue accounts than anticipated.
- 6 Favourable performance of financial asset resulted in increased dividends than budgeted for.
- 7 The budgeted amount was informed by revenue enhancement strategies, by law, building control permits, being robustly implemented.
- 8 The vacancies within the traffic department led to a lower issuance of traffic fines compared to the budgeted expectations.
- 9 Increase in assets acquired during the year resulted in more depreciation than initially anticipated..
- 10 Insufficient payment of creditor's within 30 days resulted in more finance cost than anticipated.
- 11 Adverse economic conditions led to a rise in the number of debtors unable to fulfil their obligations, resulting in a greater level of debt impairment than initially expected.
- 12 Unforeseen acts of vandalism were unaccounted for during the budget period.
- 13 The heightened utilization of inventory throughout the year led to a lower than expected amount of inventory remaining at year-end.
- 14 Adverse economic conditions contributed to an increase in the number of debtors who were unable to fulfil their financial commitments.
- 15 The rise in impaired debt led to a lower number of consumer debtors than expected.
- 16 The effective utilization of conditional grants resulted in a smaller amount of cash and cash equivalents at the year's end than initially projected.
- 17 The misalignment caused the budgeted amount to be improperly allocated.
- 18 The misalignment led to the budgeted amount not being accurately reflected.
- 19 The positive market performance of the financial asset resulted in a value that surpassed expectations..
- 20 Involvement in the Eskom Debt Relief Programme contributed to a decrease in the payable from the exchange balance, an impact that could not be accounted for during the budgeting phase..
- 21 Significant expenditure on conditional grants led to a decrease in the unspent balance of these grants at the conclusion of the financial year..
- 22 The alignment techniques of MSCOA and GRAP caused certain budgeted items for liabilities (non-current) to be reclassified as current liabilities, specifically in relation to employee benefits obligations and provisions. This reclassification resulted in a misalignment within the budget..
- 23 The advantageous circumstances created by the Eskom Debt Relief Programme led to the establishment of a concessional

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

loan, the impact of which could not be assessed within the budgetary timeframe.

24 Adverse economic conditions contributed to revenue falling short of expectations.

25 The municipality experienced higher interest income than expected due to strong investment strategies.

26 The positive performance of financial assets led to a greater cash flow from dividends than was originally planned..

27 Economic limitations led to a reduction in the issuance of training fees and clearance certificates compared to the initial budget.

28 Cost containment strategies resulted in lower payments to suppliers than originally expected.

29 Delay in creditor's payment resulted in increased interest paid.

30The enforcement of financial discipline measures caused the expected investments to fail to materialize.

31 The alignment techniques between MSCOA and GRAP led to a situation where items budgeted under cash and cash equivalents at the start of the year did not effectively contribute to the budget.

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Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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 and are rounded to the nearest South African Rand.

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 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 judgment 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.

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgments, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

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Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

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

The municipality assesses its trade receivables 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 judgments 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value.

Fair value estimation

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.

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 of 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 17 - Provisions.

Useful lives of waste and water network and other assets

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

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee Benefits Obligation

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

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

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

Provision for Impairment of Receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.5 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.

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Significant Accounting Policies

1.5 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.

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Subsequent Measurement :

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	2 - 50 years
Transport assets	Straight-line	4 - 15 years
Infrastructure	Straight-line	3 - 100 years
Other movable assets	Straight-line	2 - 20 years
Landfill rehabilitation assets	Straight-line	8 - 20 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

1.7 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.

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Significant Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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.

1.8 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset, such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

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

A financial asset is:

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

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

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Significant Accounting Policies

1.9 Financial instruments (continued)

- 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.

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

- 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

Other financial assets
Other receivables
Receivables from non-exchange transactions
Receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Payables from exchange transactions
Consumer deposits
Unspent conditional grants

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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Significant Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

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

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

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

Gains and losses

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

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Significant Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
 - 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 municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

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

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality 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.

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Significant Accounting Policies

1.9 Financial instruments (continued)

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).

1.10 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on a cash basis. The municipality is liable to account for VAT at a standard rate of 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.11 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.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and deposits held at call with banks net of bank overdrafts.

1.13 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.

Identification

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.

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Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

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Significant Accounting Policies

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

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

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

Useful life is either:

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

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.

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1.15 Employee benefits

Identification

Employee benefits

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

A qualifying 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.

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Significant Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits are all employee benefits (other than short-term employee 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

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 entity 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.

Other Long term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of

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Significant Accounting Policies

1.15 Employee benefits (continued)

service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance

1.16 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.

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

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

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

Provisions are not recognised for future operating deficit.

A Contingent Liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

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

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

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

1.17 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.

1.18 Revenue from exchange transactions

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

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Significant Accounting Policies

1.18 Revenue from exchange transactions (continued)

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

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

Measurement

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

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 .

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 on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1% and recognised in surplus or deficit on the time proportionate basis.

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.

1.19 Revenue from non-exchange transactions

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

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

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.

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1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

Fines, penalties and forfeits

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.

Public contributions and donations

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment are brought into use.

Donations are recognised on a cash receipt basis or where the donation is in a form of property, plant and equipment, when such items of property, plant and equipment are available for use.

1.20 Investment income

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

1.21 Comparative figures

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

1.22 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.

1.23 Fruitless and wasteful expenditure

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

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

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Significant Accounting Policies

1.24 Irregular expenditure

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

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

1.25 Segment information

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.

A measure of assets and liabilities for each reportable segment has not been disclosed due to the fact that such amounts are not regularly provided to management for decision making purposes.

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.

1.26 Budget information

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

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

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

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

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.

1.27 Related parties

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

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

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

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Significant Accounting Policies

1.27 Related parties (continued)

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.

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.29 Unspent Conditional grants and receipts

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

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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:

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is for years beginning on or after 1 April 2023.

The municipality has adopted the interpretation for the first time in the 2023/2024 annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions was 1 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 1 April 2023.

The municipality has adopted the guideline for the first time in the 2023/2024 annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements (Materiality)

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 1 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rule based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Bank balances – cashbook	44,128,718	11,237,292
Short-term deposits	33,517	114,442,659
	44,171,709	125,689,425
ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	20,000	20,000
Fleet card	1,000,000	1,000,000
Credit card facility	300,000	300,000

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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3. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents were pledged as collateral.

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 Primary cheque account Acc no (40-5370-5465)	13,858,574	12,760,185	4,865,806	18,177,102	11,592,434	68,692,434
ABSA Market cheque account Acc no (40-5644-3399)	640,787	805,560	806,773	(3,710,341)	(867,736)	(1,874,579)
ABSA Savings account Acc no (90-9461-7107)	1,469	1,000	129,314,396	1,469	1,000	129,314,396
ABSA Savings account Acc no (91-0668-4115)	27,133	114,431,283	49,119	27,133	114,431,283	49,119
ABSA Savings account Acc no (91-1114-1338)	1,173	1,102	1,122	1,173	1,077	1,125
ABSA Savings account Acc no (91-0668-4238)	1,310	1,310	1,262	1,322	1,214	1,266
ABSA Savings account Acc no (91-0668-4157)	1,165	1,165	1,061	1,109	1,018	1,064
ABSA Savings account Acc no (91-2351-5666)	1,102	1,102	1,061	1,109	1,018	1,064
Std Bank Call Acc no (08-883-104-3)	29,661,948	-	-	29,661,948	-	-
Total	44,194,661	128,002,707	135,040,600	44,162,024	125,161,308	196,185,889

4. Inventories

Investment property held for sale	2,730,000	-
Consumable stores	1,787,168	1,876,916
Water for distribution	3,162,721	2,964,529
	7,679,889	4,841,445

Inventories recognised as an expense during the year	5,663,114	8,563,980
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Inventory pledged as security

None of the inventory was pledged as security for any financial liability of the municipality.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions		
Current		
Gross balances		
Electricity	688,761,313	538,544,768
Water	3,325,566,243	2,754,425,203
Sewerage	1,397,107,415	1,156,231,857
Refuse	874,268,850	727,465,199
Other receivables	5,579,922	5,576,594
Rentals	165,313,405	147,386,273
Sundries	200,213,974	174,007,300
Unmetered consumption – Electricity	115,039,399	95,498,086
Unmetered consumption – Water	52,172,443	64,428,051
Less: Non-current consumer receivables (arrangements)	(10,853,233)	(46,283,460)
	6,813,169,731	5,617,279,871
Less: Allowance for impairment		
Electricity	(438,844,192)	(373,075,236)
Water	(2,619,985,339)	(2,381,243,893)
Sewerage	(1,071,658,025)	(909,478,533)
Refuse	(688,723,592)	(592,504,452)
Rentals	(147,396,439)	(128,253,014)
Sundries	(167,114,202)	(149,053,875)
Other receivables	(4,434,426)	(4,735,448)
Less: Non-current consumer receivables (arrangements)	9,913,983	43,258,770
	(5,128,242,232)	(4,495,085,681)
Net balance		
Electricity	249,917,121	165,469,532
Water	705,580,904	373,181,310
Sewerage	325,449,390	246,753,324
Refuse	185,545,258	134,960,747
Rentals	17,916,966	19,133,259
Sundries	33,099,772	24,953,425
Other receivables	1,145,496	841,146
Unmetered consumption – Electricity	115,039,399	95,498,086
Unmetered consumption – Water	52,172,443	64,428,051
Less: Non-current consumer receivables (arrangements)	(939,250)	(3,024,690)
	1,684,927,499	1,122,194,190
Non-current		
Gross Balance		
Arrangements	10,853,233	46,283,460
Less: Allowance for impairment		
Arrangements	(9,913,983)	(43,258,770)
Net Balance	939,250	3,024,690
Total consumer debtors	1,684,927,499	1,122,194,190

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions (continued)		
Summary of debtors by service classification		
Unmetered consumption - Water		
Current (0 -30 days)	52,172,443	64,428,051
Electricity		
Current (0 -30 days)	104,319,020	51,817,850
31 - 60 days	24,716,707	19,287,565
61 - 90 days	26,463,348	15,060,748
91 + days	533,262,238	452,378,605
Less: Impairment	(438,844,192)	(373,075,236)
	249,917,121	165,469,532
Water		
Current (0 -30 days)	112,451,276	52,601,535
31 - 60 days	62,544,285	44,929,843
61 - 90 days	60,412,559	52,987,276
91 + days	3,090,158,122	2,603,906,548
Less: Impairment	(2,619,985,338)	(2,381,243,892)
	705,580,904	373,181,310
Unmetered consumption - Electricity		
Current (0 -30 days)	115,039,399	95,498,086
Sewerage		
Current (0 -30 days)	27,883,454	22,767,906
31 - 60 days	25,240,350	19,772,071
61 - 90 days	24,708,397	19,030,416
91 + days	1,319,275,213	1,094,661,464
Less: Impairment	(1,071,658,024)	(909,478,533)
	325,449,390	246,753,324
Refuse		
Current (0 -30 days)	17,229,961	13,857,923
31 - 60 days	15,498,165	11,899,557
61 - 90 days	15,147,300	11,437,613
91 + days	826,393,424	690,270,105
Less: Impairment	(688,723,592)	(592,504,451)
	185,545,258	134,960,747
Rentals		
Current (0 -30 days)	1,553,576	1,493,588
31 - 60 days	1,546,494	1,493,588
61 - 90 days	1,545,687	1,478,282
91 + days	160,667,648	142,920,815
Less: Impairment	(147,396,439)	(128,253,014)
	17,916,966	19,133,259

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions (continued)		
Sundries		
Current (0 -30 days)	2,530,939	2,465,242
31 - 60 days	2,499,245	2,457,101
61 - 90 days	3,979,160	1,905,729
91 + days	191,204,647	167,179,229
> 365 days	(167,114,219)	(149,053,876)
	33,099,772	24,953,425
Other		
Current (0 -30 days)	41,459	39,925
31 - 60 days	19,503	18,500
61 - 90 days	20,908	12,471
91 + days	5,498,052	5,505,715
Less: Impairment	(4,434,426)	(4,735,465)
	1,145,496	841,146

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	19,329,177	106,812,638
31 - 60 days	107,428,051	88,636,605
61 - 90 days	10,351,899	91,971,679
91 + days	5,280,143,805	4,782,896,355
	5,417,252,932	5,070,317,277
Less: Allowance for impairment	(4,595,162,871)	(4,354,660,643)
	822,090,061	715,656,634
Business, Industrial and Commercial		
Current (0 -30 days)	60,913,377	55,270,545
31 - 60 days	19,135,245	23,057,524
61 - 90 days	21,374,283	19,580,205
91 + days	743,545,041	968,638,295
	844,967,946	1,066,546,569
Less: Allowance for impairment	(593,436,346)	(679,933,565)
	251,531,600	386,613,004
Farms and agriculture		
Current (0 -30 days)	653,667	6,654,921
31 - 60 days	410,528	5,080,595
61 - 90 days	400,417	4,758,493
91 + days	18,821,795	185,838,002
	20,286,407	202,332,011
Less: Allowance for impairment	(16,194,944)	(154,054,639)
	4,091,463	48,277,372
Total		
Current (0 -30 days)	266,009,685	180,270,974
31 - 60 days	132,064,749	122,090,803
61 - 90 days	132,277,360	122,133,621
91 - 120 days	6,126,383,570	5,958,992,906
	6,656,735,364	6,383,488,304
Less: Allowance for impairment	(4,971,807,865)	(5,261,294,114)
	1,684,927,499	1,122,194,190
Less: Allowance for impairment		
Current (0 -30 days)	(5,128,242,232)	(4,495,085,681)

Receivables from exchange transactions pledged as security

No consumer debtors were pledged as security for overdraft facilities of the municipality.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from exchange transactions (continued)		
Receivables from exchange transactions past due but not impaired		
As at 30 June 2024, consumer receivables of R11 893 778 (2023:R 18 230 276) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	7,085,789	15,152,793
2 months past due	4,807,989	3,077,483
Receivables from exchange transactions		
As of 30 June 2024, consumer debtors of R6 163 567 484 (2023: R5 052 086 968) were impaired and provided for.		
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(5,252,984,944)	(4,361,450,313)
Contributions to allowance	(964,702,520)	(1,116,245,618)
Debt impairment written off against the allowance	277,742,926	224,710,987
	(5,939,944,538)	(5,252,984,944)
6. Receivables from non-exchange transactions		
Consumer receivables - Rates	1,086,633,261	864,163,575
Availability charges - Electricity	62,124,855	52,807,549
Availability charges - Water	38,362,688	33,882,067
Allowance for impairment - Rates	(708,968,171)	(598,555,528)
Allowance for impairment - Availability charges - Electricity	(43,945,625)	(36,573,747)
Allowance for impairment - Availability charges - Water	(27,136,841)	(25,782,508)
	407,070,167	289,941,408
Non-current - receivables from non-exchange transactions		
Availability charges - Electricity	23,404,403	17,147,711
Availability charges - Water	7,325,611	5,912,946
Allowance for impairment: Availability charges - Electricity	(16,555,711)	(11,894,170)
Allowance for impairment: Availability charges - Water	(5,181,960)	(4,510,033)
	8,992,343	6,656,454
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	1,086,633,261	864,163,575
Less Allowance for impairment: Property rates	(708,968,171)	(598,555,528)
	377,665,090	265,608,047
Total receivables from non-exchange transactions	416,062,510	296,597,862

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Receivables from non-exchange transactions (continued)		
Statutory receivables general information		
Transaction(s) arising from statute		
Property Rates are levied in terms of the Local Government Municipal Property Rates Act No.6 of 2004 (MPRA), approved Property Rates Policy and by-laws.		
Determination of transaction amount		
Rates are levied in accordance with the Act (MPRA), based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.		
The municipality differentiates between various categories of property and owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.		
Interest or other charges levied/charged		
Interest accrues from 30 days on unpaid accounts. Interest is levied at a rate of prime rate plus 1%.		
Basis used to assess and test whether a statutory receivable is impaired		
The municipality assesses whether statutory receivables are impaired at the end of every reporting date, in line with Grap 104.		
The following factors were considered in determining the impairment:		
- Aging of the outstanding debt.		
- Whether or not any payment was received during the year.		
- Whether the account is active or inactive.		
- Whether the account is that of an owner or a tenant		
Discount rate applied to the estimated future cash flows		
Statutory receivables past due but not impaired		
Statutory receivables impaired		
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(5,252,984,944)	(4,361,450,313)
Provision for impairment	(964,702,520)	(1,116,245,618)
Amounts written off as uncollectible	277,742,926	224,710,987
	(5,939,944,538)	(5,252,984,944)

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions past due but not impaired

At 30 June 2024, receivables from non-exchange transactions of R 79 862 436 (2023: R76 378 072) were past due but not impaired.

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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6. Receivables from non-exchange transactions (continued)

Fair value of receivables from non-exchange transactions

The carrying value of the receivables from non-exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2024, receivables from non-exchange transactions of R 897 480 353 (2023: R799 834 408) were impaired and provided for.

7. Other receivables

Accrued interest	322,295	322,295
Deposits	225,850	225,850
Employee loans receivable	200,500	180,000
Erf sales - Sanral	1,078,796	1,078,796
Eskom	6,082,888	-
Maritz attorneys	16,513,652	16,513,652
Market sales	4,042,208	3,079,836
Market sales - sundries	97,914	28,017
Prepayments	1,131,732	1,131,732
Sundry receivables	57,527	57,527
Trade receivables - double payments	2,870,480	2,690,480
Traffic fines receivable	4,025,022	4,523,972
Welkom Market	15,193,131	2,628,635
	51,841,995	32,460,792

8. VAT receivable

VAT	1,020,233,352	968,241,561
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VAT is treated on the payment basis. VAT is paid over to SARS on a net basis only when actual payments are received by the municipality and when actual payments are made to suppliers. The balance above is inclusive of accruals and provisions, where applicable.

9. Other financial assets

Designated at fair value

Unlisted shares	568,885	474,015
The unlisted shares consist of 17,238 (2023: 17 238) equity shares at R19.20 each as at 30 June 2024 in Senwes Limited and 26,435 (2023: 26 435) equity shares at R 9 each in Senwesbel Limited.		

Non-current assets

Designated at fair value	568,885	474,015
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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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9. Other financial assets (continued)

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 2

Class 1 (Unlisted shares)	568,885	474,015
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Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

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	2,099,212,887	-	2,099,212,887	2,054,238,999	-	2,054,238,999

Reconciliation of investment property - 2024

	Opening balance	Transfers out	Fair value adjustments	Closing balance
Investment property	2,054,238,999	(4,800,000)	49,773,888	2,099,212,887

Reconciliation of investment property - 2023

	Opening balance	Transfers out	Fair value adjustments	Closing balance
Investment property	1,955,032,015	(18,370,000)	117,576,984	2,054,238,999

Fair value of investment properties 2,099,212,887 2,054,238,999

Pledged as security

There are no contractual obligations on investment property.

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

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Investment property (continued)		
The effective date of the revaluations was 30 June 2024. Fair value determinations were performed by UNIQUECO Properties Pty Ltd. Mr. L Nel, who is a registered Professional Property Valuer with the South African Council for the Property Valuer's Profession (registration number 4464/2) and has the appropriate experience in performing valuations of investment properties, was the valuer used to perform the valuations. The valuation for the land portion was based on adapted comparable sales and on replacement costs for the improvements. These assumptions are based on current market conditions.		
Maintenance of investment property		
The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Repairs and maintenance	-	140,937
Amounts recognised in surplus or deficit		
Rental revenue from investment property	21,914,514	20,824,594

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Notes to the Annual Financial Statements

Figures in Rand

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
Transport assets	218,261,075	(72,490,088)	145,770,987	173,064,568	(50,092,260)	122,972,308
Infrastructure	8,722,324,400	5,328,574,136)	3,393,750,264	8,686,770,584	5,175,019,558)	3,511,751,026
Community assets	494,120,498	(223,377,464)	270,743,034	490,236,537	(207,592,171)	282,644,366
Other movable assets	69,028,858	(46,242,040)	22,786,818	61,538,408	(36,011,276)	25,527,132
Landfill rehabilitation assets	166,367,677	(111,165,896)	55,201,781	151,831,494	(99,053,969)	52,777,525
Land and buildings	128,120,297	(65,135,841)	62,984,456	128,120,297	(62,143,835)	65,976,462
Total	9,798,222,805	(5,846,985,465)	3,951,237,340	9,691,561,888	(5,629,913,069)	4,061,648,819

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Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	122,972,308	46,130,758	-	-	(23,057,051)	(275,028)	145,770,987
Infrastructure	3,511,751,026	125,507,484	73,422,847	(163,376,513)	(152,766,407)	(788,171)	3,393,750,264
Community assets	282,644,366	3,883,961	12,318,637	(12,318,637)	(15,785,293)	-	270,743,034
Other movable assets	25,527,132	5,037,066	-	-	(7,777,380)	-	22,786,818
Landfill rehabilitation assets	52,777,525	14,536,182	-	-	(12,111,926)	-	55,201,781
Land and buildings	65,976,462	-	-	-	(2,218,776)	(773,230)	62,984,456
	4,061,648,819	195,095,451	85,741,484	(175,695,151)	(213,716,833)	(1,836,429)	3,951,237,340

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Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	35,857,852	99,029,085	-	-	(11,808,698)	(105,931)	122,972,308
Infrastructure	3,586,934,168	76,076,235	231,861,301	(217,569,122)	(151,218,675)	(14,332,881)	3,511,751,026
Community	279,704,845	8,434,676	18,480,000	-	(15,930,002)	(8,045,153)	282,644,366
Other movable assets	19,157,033	11,736,753	-	-	(5,366,654)	-	25,527,132
Landfill rehabilitation assets	57,774,346	2,702,596	-	-	(7,699,417)	-	52,777,525
Land and buildings	83,340,966	-	-	(13,984,241)	(3,380,263)	-	65,976,462
	4,062,769,210	197,979,345	250,341,301	(231,553,363)	(195,403,709)	(22,483,965)	4,061,648,819

Pledged as security

None of these assets were pledged as security.

Change in accounting estimate

The provision for rehabilitation of landfill site was revised at year end and was recognised in the surplus or deficit for the reporting period.

The effect of the change in accounting estimate on the current year was an increase of R5 137 758 on the carrying amount and an increase of depreciation of R1 027 551 on the Bronville (Welkom) landfill site. The change resulted in an addition to the cost of the related assets in the current reporting period. Which will in turn result in an increase of depreciation of R1 027 551 over the remaining useful life.

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Figures in Rand	2024	2023
11. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed was halted during the year		
Cumulative expenditure recognised in the carrying value of property, plant and Equipment		
Klippan Pumpstation upgrade	7,330,656	7,330,656
Bronville Substation	6,647,941	6,647,941
Mmamahabane Taxi Rank	477,699	477,699
Nyakallong Construction of stormwaters	17,461,171	17,461,171
Nyakalong Taxi Rank	377,781	377,781
Koppie Alleen collapsed sewer	4,879,496	4,879,496
Phomolong WWTW	766,492	766,492
Replacement of Old Galvanized Steel Pipes with UPVC Pipes:	8,413,854	8,413,854
Nyakallong/Allanridge		
Roads Infrastructure	174,429	174,429
Resealing of Roads	3,220,383	3,220,383
Thabong Community Centre parking upgrade	220,493	220,493
Thabong Taxi Rank	2,588,469	2,588,469
Thabong Upgrading and Refurbishment of T8 Sewer Pump station	13,570,402	13,570,402
Upgrading of Kutlwanong Outfall Sewer	22,458,201	22,458,201
Upgrading of seven electrical panels	167,058	167,058
Upgrading of the Urania 132KV 20MA Substation ad 132kV Overhead Line	30,401,455	11,593,941
Welkom Landfill Site	18,110,918	18,110,918
Welkom Regional Taxi Rank	6,741,313	6,741,313
White Septic Tank Welkom	335,631	335,631
	144,343,842	125,536,328

These projects have been halted by management awaiting capital budget.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Intallation of zonal water meters	8,364,677	8,179,651
	8,364,677	8,179,651

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Work in progress	348,142,344	12,318,637	2,938,708	363,399,689

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Work in progress	399,382,481	8,434,676	2,938,708	410,755,865

2024

Transfers

Projects to the value of R163,376,514 were completed and transferred out of Capital work in progress into Infrastructure assets.

Projects to the value of R12,318,637 were completed and transferred out of Capital work in progress into Community assets

2023

Transfers

Projects to the value of R217,569,122 were completed and transferred out of Capital work in progress into Infrastructure assets

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Figures in Rand	2024	2023
11. Property, plant and equipment (continued)		
Repairs and maintenance per class of asset:		
Land and buildings	1,510,297	1,610,075
Infrastructure assets	85,776	3,216,018
Transport assets	12,276,446	1,028,101
Other movable assets	1,694,554	1,297,160
Landfill rehabilitation assets	15,518,330	6,557,940
	31,085,403	13,709,294

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

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Figures in Rand

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	4,747,835	-	4,747,835	4,747,835	-	4,747,835
Mayoral chains	2,356,514	(26,810)	2,329,704	2,356,514	(26,810)	2,329,704
Total	7,104,349	(26,810)	7,077,539	7,104,349	(26,810)	7,077,539

Reconciliation of heritage assets 2024

	Opening balance	Closing balance
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,329,704	2,329,704
	7,077,539	7,077,539

Reconciliation of heritage assets 2023

	Opening balance	Closing balance
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,329,704	2,329,704
	7,077,539	7,077,539

Pledged as security

None of these assets were pledged as security.

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

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Figures in Rand	2024	2023
13. Payables from exchange transactions		
Accrued 13th cheque	22,398,861	21,147,755
Accrued leave pay	72,672,166	105,503,217
Deferred income - pre paid electricity	3,700,000	3,700,000
Deposits received - halls and facilities	15,175	15,175
Eskom	848,602,951	5,630,675,806
Payments received in advanced from consumer receivables	400,848,701	300,265,223
Rental - Hostels and flats	3,430,206	2,858,273
Retentions	26,457,367	21,253,526
SALGA	18,182,800	16,663,071
Salary third parties	61,769,074	19,948,888
Trade payables	382,094,044	444,946,508
Vaal Central Water Board	6,161,839,566	5,436,424,698
	8,002,010,911	12,003,402,140

14. Consessionary loan

Carrying value

Eskom municipal debt relief	5,250,339,733	-
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National Treasury approved the Matjhabeng Local Municipality's application to participate in the Circular 124 Municipal Debt Relief programme with effect from 1 November 2023. From the effective date, Eskom suppressed the charging of interest on the Interim Debt and will consider writing off the balance at the end of the municipality's 36-month debt relief compliance cycle.

Non-current liabilities

At amortised cost	3,500,226,489	-
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Current liabilities

At amortised cost	1,750,113,244	-
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15. Consumer deposits

Electricity and water	44,795,791	42,223,988
Key deposits	1,594,625	1,254,165
	46,390,416	43,478,153

Guarantees held in lieu of electricity and water deposits amounted to R6 067 965 (2023: R6 067 965).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

Deposits are paid by lessees on application for new rental properties of the municipality.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximates their fair values.

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Figures in Rand	2024	2023
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	308,583	33,778,639
Integrated National Electrification Programme (INEP)	2,471,363	1,297,525
Energy Efficiency and Demand side Management Grant (EEDG)	2,549	2,549
Municipal Water Services Infrastructure Grant (MWSIG)	4,843,983	16,906,474
Free State Department of Human Settlements	66,972,088	66,972,088
	74,598,566	118,957,275

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

17. 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 benefit	(429,239,885)	(385,515,946)
Present value of the long service award benefit	(63,992,265)	(56,619,649)
	(493,232,150)	(442,135,595)
Non-current liabilities	(466,833,241)	(429,455,009)
Current liabilities	(26,397,910)	(12,680,586)
	(493,231,151)	(442,135,595)

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

Opening balance	442,136,593	469,220,473
Net expense recognised in the statement of financial performance	51,095,556	(27,083,880)
	493,232,149	442,136,593

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

Service cost	29,175,269	24,781,294
- Current service cost	29,175,269	24,781,294
Interest cost	58,074,325	56,189,913
Remeasurements of the net defined benefit liability (asset)	(22,381,768)	(99,108,346)
- Actuarial gains and losses arising from:	(22,381,768)	(99,108,346)
- Changes in financial assumptions	(22,381,768)	(99,108,346)
Expected benefits paid	(13,772,270)	(8,946,741)
	51,095,556	(27,083,880)

Calculation of actuarial gains and losses

Actuarial (gains) / losses – Long service	(1,410,408)	(6,395,117)
Actuarial (gains) / losses – Medical aid	(20,971,360)	(92,713,229)
	(22,381,768)	(99,108,346)

Changes in the fair value of plan assets are as follows:

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Figures in Rand	2024	2023
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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	7.06 %	7.71 %
CPI (Long service award)	4.77 %	5.38 %
Discount rate (Medical aid)	13.12 %	13.70 %
Discount rate (Long service award)	10.28 %	10.73 %
Medical aid inflation rate (Medical aid)	8.56 %	9.21 %
Net discount rate (Long service award)	4.26 %	4.09 %
Net discount rate (Medical aid)	4.20 %	4.11 %
Salary increase rate (Long service award)	5.77 %	6.38 %
Continuation percentage	100.00 %	100.00 %

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2024 financial year:

	One percentage point increase	One percentage point increase
Employer's accrued liability (Long service awards)	60,997,873	67,291,251

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Figures in Rand	2024	2023
17. Employee benefit obligations (continued)		
Current Service cost (Long service awards)	5,106,105	5,732,864
Interest cost (Long service awards)	6,056,115	5,561,534
Employer's accrued liability (Medical aid)	379,498,015	489,905,910
Current service cost (Medical aid)	20,488,310	27,715,867
Interest cost (Medical aid)	52,791,391	58,642,370

Amounts for the current and previous four years are as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation	-493,232,151	-442,136,593	-469,220,473	-429,463,845	-390,465,049

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as a defined contribution plan due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

Defined contribution plans

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is 51,095,556 (27,083,880)

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Discounting	Movement due to change in net discount rate	Closing balance
Environmental rehabilitation	110,327,151	14,536,184	(1,881,180)	122,982,155

Reconciliation of provisions - 2023

	Opening Balance	Unwinding	Movement due to change in net discount rate	Closing balance
Environmental rehabilitation	105,446,786	2,702,595	2,177,770	110,327,151

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation cost for the waste disposal sites at the end of its useful lives.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated remaining useful lives
Allanridge	1 years (2023: 2 years)
Henneman (Phomolong)	4 years (2023: 5 years)
Odendaalsrus	16 years (2023: 17 years)
Virginia (Transfer station)	4 years (2023: 5 years)
Bronville (Welkom)	0 years (2023: 0 years)

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Restructuring provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

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Figures in Rand	2024	2023
19. Service charges		
Refuse removal	138,492,620	133,978,559
Sale of electricity	733,560,140	630,621,168
Sale of water	508,592,243	489,322,723
Sewerage and sanitation charges	225,525,473	202,586,947
Less: Income foregone - indigents	(19,847,734)	(76,341,711)
	1,586,322,742	1,380,167,686
20. Rental of facilities and equipment		
Premises		
Rental of living quarters	21,914,514	20,624,338
Facilities and equipment		
Rental of facilities	154,104	200,256
	22,068,618	20,824,594
21. Fines, Penalties and Forfeits		
Traffic fines	2,464,406	1,992,996
22. Commission received		
Market agents	18,362,226	15,447,500
Policy administration fees	701,377	1,766,828
	19,063,603	17,214,328
23. Availability charges		
Electricity	42,601,508	35,341,113
Water	6,721,605	5,857,362
	49,323,113	41,198,475
24. Other income		
Application fees - land usage	317,932	4,771,045
Cemetery and burial	1,695,331	1,867,170
Clearance certificates	478,440	618,378
Connection fees	131,318	175,221
Disconnection fees	1,295,477	2,571,089
Fire services	879,587	6,228,435
Registration fees	539,376	279,450
Sundry income	3,133,840	2,783,093
Tender documents	345,430	1,808,903
Training	1,742,906	2,010,955
	10,559,637	23,113,739

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Figures in Rand	2024	2023
25. Investment revenue		
Dividend revenue		
Unlisted shares - Local	49,223	40,753
Interest received		
Bank and investments	5,835,806	10,323,986
Interest charged on consumer receivables	531,736,712	400,236,097
Provisions	1,881,180	-
	539,453,698	410,560,083
	539,502,921	410,600,836

26. Property rates

Rates received

Commercial	155,178,150	147,108,107
Residential	188,705,149	178,159,464
Small holdings and farms	26,413,332	25,050,338
State	106,003,372	60,398,642
	476,300,003	410,716,551

Valuations

Residential	19,105,372,339	21,555,865,255
Commercial	5,072,707,000	5,096,270,000
State	2,439,318,000	4,251,842,120
Small holdings and farms	7,305,868,000	7,325,161,003
	33,923,265,339	38,229,138,378

Valuations on land and buildings are performed every four years in line with the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA). The last general valuation came into effect on 1 July 2021. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A firm was appointed perform the general valuation and the new valuation roll was implemented on 1 July 2021 for the financial period 2022 to 2027.

Rates are levied in accordance with the Act (MPRA), as an amount in the rands based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

As allowed for in the Act (MPRA), the municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.

The first R75,000 of the valuation of residential property is exempted from property rates. Interest shall accrue 30 days from date of account on unpaid accounts. Interest is levied at a rate of prime plus 1%.

27. Revenue from non-exchange transactions

Eskom municipal debt relief	347,338,131	-
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Figures in Rand	2024	2023
28. Government grants & subsidies		
Operating grants		
Equitable share	685,410,000	628,523,500
Expanded Public Works Program (EPWP)	2,774,000	5,191,000
Finance Management Grant (FMG)	3,099,998	3,100,000
Sector Education and Training Authority (SETA)	1,610,058	1,721,058
	692,894,056	638,535,558
Capital grants		
Integrated National Electrification Program Grant (INEP)	21,628,637	3,082,475
Municipal Infrastructure Grant (MIG)	151,546,417	114,627,938
Water Services Infrastructure Grant (WSIG)	18,656,017	8,893,526
	191,831,071	126,603,939
	884,725,127	765,139,497
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	199,520,890	136,615,997
Unconditional grants received	665,403,000	553,423,000
	864,923,890	690,038,997
Equitable Share		
Current-year receipts as per Government Gazette	685,410,000	628,523,000
Transferred to revenue	(665,403,000)	(553,423,000)
Amount withheld from equitable share	(20,007,000)	(75,100,000)
	-	-
WITHHELD EQUITABLE SHARE		
Withheld equitable share amounting to R20 007 000 was due to the rejected roll over of Municipal Infrastructure Grant (MIG), Integrated National Electrification Program (INEP) and Water Service Infrastructure Grant (WSIG) for 2022/23 financial period as follows:		
Municipal Infrastructure Service Grant	R15,278,639	
Water Infrastructure Service Grant	R 3,406,474	
Integrated National Electrification Program	R1,297,525	
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	33,778,639	111,349,918
Current-year receipts as per Government Gazette	142,914,000	136,630,000
Grants forfeited	(9,559,000)	(36,976,000)
Conditions met - transferred to revenue	(151,546,417)	(114,627,938)
Offset the unspent grant against Equitable Share	(15,278,639)	(62,597,341)
	308,583	33,778,639

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Figures in Rand	2024	2023
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28. Government grants & subsidies (continued)

This grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

Repayment of MIG relates to the 2022/23 unspent conditional grant, which was rejected due to a portion of the rollover application having been rolled over in the previous financial year. The rejected rollover amounted to R15 278 639 as per roll over letter from National Treasury. The rejected roll over was withheld from the 2023/24 equitable share.

Finance Management Grant (FMG)

Current-year receipts	3,100,001	3,100,000
Conditions met - transferred to revenue	(3,100,001)	(3,100,000)
	-	-

The purpose of this grant is to promote and support reforms to financial management and the implementation of MFMA.

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	1,297,525	-
Current-year receipts	30,000,000	4,380,000
Conditions met - transferred to revenue	(21,628,641)	(3,082,475)
Forfeited grant	(5,900,000)	-
Rejected rollover	(1,297,525)	-
	2,471,359	1,297,525

Repayment of INEP relates to the 2022/23 unspent conditional grant, which was rejected due to a portion of the rollover application having been rolled over in the previous financial year. The rejected roll over amounted to R1 297 525 as per roll over letter from National Treasury. The rejected roll over was withheld from the 2023/24 equitable share

Expanded Public Works Programme (EPWP)

Current-year receipts	3,456,000	5,191,000
Conditions met - transferred to revenue	(2,774,000)	(5,191,000)
Forfeited grant	(682,000)	-
	-	-

The purpose of this grant is to subsidise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Energy Efficiency and Demand Side Management Program (EEDG)

Balance unspent at beginning of year	2,549	2,549
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The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	16,906,474	12,502,659
Current-year receipts	20,000,000	25,800,000
Conditions met - transferred to revenue	(18,656,016)	(8,893,527)
Forfeited grant	(10,000,000)	-
Offset the unspent grant against Equitable Share	-	(12,502,658)

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Figures in Rand	2024	2023
28. Government grants & subsidies (continued)		
Withheld equitable share	(3,406,475)	-
	4,843,983	16,906,474

The purpose of this grant is to address water and sanitation challenges that occurred with the aging infrastructure.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

The repayment of WSIG relates to the 2022/23 unspent conditional grant, which was rejected due to a portion of the roll over application having been rolled over in the previous financial year. The total amount of the rejected roll over was R3 406 474 as per roll over letter from National Treasury. The rejected roll over amounting to R3 406 474 was withheld from the 2023/24 equitable share

Sector Education and Training Authority (SETA)

Current-year receipts	1,610,816	1,721,058
Conditions met - transferred to revenue	(1,610,816)	(1,721,058)
	-	-

The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality. This is a Mandatory grant that only gets paid once the SETA required documents are submitted, therefore MLM met the conditions as the tranches were paid for the current year.

Free State Provincial Department of Human Settlements

Balance unspent at beginning of year	66,972,088	67,146,000
Conditions met - transferred to revenue	-	(173,912)
	66,972,088	66,972,088

EXPEDITION OF TITLE DEED RESTORATION PROGRAMME IN THE FREE STATE

The transferred funds will be utilized solely and strictly for the purpose of resolving disputes amongst erf owners and rectification transfers as a result of implementing the dispute resolution outcome

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Public contributions and donations

Public contributions and donations	-	4,217,105
Current-year receipts	-	(4,217,105)
Public contributions and donations	-	4,217,105
	-	-

Property, plant and Equipment

In 2023 the municipality was a beneficiary of:

- an ICT Truck from Harmony Gold Mine
- a Tipper Truck and a tractor loader backhoe from the Department of Forestry, Fisheries and the Environment

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs		
Salaries	507,714,734	500,942,029
13th Cheque	41,072,280	44,447,259
Bargaining council levy	286,958	273,143
Employee benefit (medical aid)	38,807,291	35,692,346
Group life insurance	3,609,935	3,138,823
Housing allowances	4,831,807	4,508,626
Leave pay provision charge	8,742,820	19,178,987
Medical aid	59,706,857	58,319,582
Other allowances	23,961,824	22,682,627
Other long term employee benefits	60,144,449	56,189,913
Overtime payments	41,915,636	44,920,348
Pension	87,724,741	81,040,917
SDL	7,696,887	7,447,614
Shift allowance	35,692,886	28,852,484
Standby allowance	16,711,324	16,471,673
Transport allowance	62,736,456	58,483,096
UIF	4,246,848	4,298,338
Less: Leave forfeited	(32,831,051)	-
	972,772,682	986,887,805

Directors Remuneration

30 June 2024	Basic Salary	Car and other allowances	Contributions to Medical and Pension Funds	Backpay / leave payout	Total
Adv Ngoqo LMR - Municipal Manager	1,924,066	16,789	85,473	-	2,026,328
Panyani TC - Chief Financial Officer	1,350,582	4,784	272,378	-	1,627,744
Makofane TB - Director Strategic Support Services	195,459	-	9,031	-	204,490
Naniso SI - Acting Director Strategic Support Services	866,994	309,221	226,445	-	1,402,660
Olyn DP - Acting Director Strategic Support Services	216,648	77,305	56,442	-	350,395
Ntsabo JZ - Director Infrastructure	612,839	210,000	131,360	-	954,199
Pobe MAE - Acting Director Infrastructure	239,512	77,305	54,214	-	371,031
Williams Van Wyk LS - Director Community Services	809,961	180,000	257,153	-	1,247,114
Mnisi TB - Acting Director Community Services	644,210	268,348	140,346	64,421	1,117,325
Dr Ramphoma S - Director LED and Planning	964,023	317,213	185,847	-	1,467,083
Dr Adonis V - Director Corporate Services	1,380,049	-	233,024	1,996	1,615,069
Mothekhe MMG - Director Human Settlements and Town Planning	922,737	-	251,574	286,902	1,461,213
Moletsane MG - Acting Director Human Settlements and Town Planning	767,772	-	283,452	211,995	1,263,219
	10,894,852	1,460,965	2,186,739	565,314	15,107,870

30 June 2023	Basic Salary	Car and other allowances	Contributions to Medical and Pension Funds	Backpay/leave payout	Total
Tindleni ZK - Municipal Manager	424,669	44,000	100,681	478,693	1,048,043
Panyani TC - Acting Municipal Manager	90,006	38,612	17,086	-	145,704
Dr Adonis V - Acting Municipal Manager	127,521	-	177	-	127,698
Panyani TC - Chief Financial Officer	720,852	130,990	91,387	274,640	1,217,869

Matjhabeng Local Municipality

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Figures in Rand				2024	2023
30. Employee related costs (continued)					
Williams L - Acting Chief Financial Officer	428,524	132,651	85,911	44,006	691,092
Makofane TB - Director Strategic Support Services	1,176,384	-	38,291	-	1,214,675
Thobela MB - Director Infrastructure	159,564	106,450	4,666	222,331	493,011
Mthombeni T - Acting Director Infrastructure	1,038,195	326,571	202,893	-	1,567,659
Williams Van Wyk LS - Director Community Services	803,379	185,759	235,657	16,344	1,241,139
Dr Ramphoma S - Director LED & Planning	946,724	320,211	172,217	19,457	1,458,609
Dr Adonis V - Director Corporate Services	1,252,967	-	113,666	21,955	1,388,588
Motheke MMG - Director Human Settlements and Planning	945,105	234,114	265,237	19,457	1,463,913
Mtirara N - Acting Director Strategic Support Services	122,240	25,460	13,629	-	161,329
	8,236,130	1,544,818	1,341,498	1,096,883	12,219,329

31. Remuneration of councillors

Executive Mayor and Councillors	37,982,260	35,638,877
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In-kind benefits

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

The Executive Mayor has the use of separate Council owned vehicles for official duties, one full time driver and a bodyguard.

The Speaker has the use of separate Council owned vehicles for official duties and one part time driver.

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024				2023
31. Remuneration of councillors (continued)					
Details of remuneration for the year ended 30 June 2024					
Name of councilor	Annual remuneration	Car allowance	Cellphone allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst HS	279,192	88,021	53,208	3,800	424,221
Badenhorst MJ	279,192	88,021	53,208	3,800	424,221
Botha GP	367,213	-	53,208	3,976	424,397
Botha PF	244,695	88,021	53,208	37,953	423,877
Buti MP	870,274	-	53,208	9,007	932,489
Claasen Malherbe C	279,192	88,021	53,208	3,800	424,221
Ditthebe MA	196,585	-	27,033	10,838	234,456
Du Plessis JM	279,192	88,021	53,208	3,800	424,221
Dyantyi A	279,192	88,021	53,208	3,800	424,221
Fandaleki Za	276,996	-	36,792	4,592	318,380
Hanisi C	352,812	-	53,208	21,285	427,305
Helepi AB	358,573	-	53,208	12,616	424,397
Hess S	343,403	-	53,208	27,302	423,913
Jacobs EJ	279,192	88,021	53,208	3,800	424,221
Jama BL	279,192	88,021	53,208	3,800	424,221
Janse van Rensburg WH	367,213	-	53,208	3,976	424,397
Kalipa T	261,912	88,021	53,208	21,080	424,221
Khalipha TD	1,143,085	-	53,208	29,188	1,225,481
Khepeng MA	367,213	-	53,208	3,976	424,397
Khetsi LE	260,856	88,021	53,208	21,649	423,734
Lesenyeho ML	601,934	208,604	53,208	67,476	931,222
Letlhake TW	247,902	88,021	53,208	37,953	427,084
Letsele Setlhabi SV	356,915	-	53,208	14,068	424,191
Mahlaku ME	367,213	-	53,208	3,976	424,397
Maile LJ	279,192	88,021	53,208	3,976	424,397
Maile PE	367,213	-	53,208	3,976	424,397
Makaliane CL	261,912	88,021	53,208	21,080	424,221
Manenye AJ	42,659	14,220	6,800	1,597	65,276
Manese SD	349,933	-	53,208	21,256	424,397
Maruping II	367,213	-	53,208	3,976	424,397
Masina XN	601,934	208,604	53,208	67,476	931,222
Moalosi TE	367,213	-	53,208	3,976	424,397
Mohapi LA	261,912	88,021	53,208	21,080	424,221
Moipatle KV	644,390	208,604	53,208	25,870	932,072
Mokhomo HA	795,783	-	53,208	82,355	931,346
Mokhothu SM	367,213	-	53,208	3,976	424,397
Molefi M	244,695	88,021	53,208	37,953	423,877
Molula IP	338,178	-	53,208	32,776	424,162
Montoeli DB	279,192	88,021	53,208	3,800	424,221
Moopela RH	279,192	88,021	53,208	3,800	424,221
Moshoeu ZS	601,934	208,604	53,208	67,476	931,222
Mosia TJ	260,856	88,021	53,208	21,769	423,854
Motlatsi SH	345,073	22,140	53,208	3,932	424,353
Mphikeleli MA	260,769	88,021	53,208	21,855	423,853
Mphore IP	367,213	-	53,208	3,976	424,397
Nel J	367,213	-	53,208	3,976	424,397
Nkone NP	300,792	66,421	53,208	3,843	424,264
Nqeobo ME	279,192	88,021	53,208	3,800	424,221
Nthuba TD	279,192	88,021	53,208	3,800	424,221
Ntoni KM	261,912	88,021	53,208	21,080	424,221
Phiri EP	367,213	-	53,208	3,976	424,397

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Notes to the Annual Financial Statements

Figures in Rand	2024				2023
31. Remuneration of councillors (continued)					
Presente LN	279,192	88,021	53,208	3,800	424,221
Pretorius HS	279,192	88,021	53,208	3,800	424,221
Radebe MC	661,240	191,754	53,208	25,903	932,105
Radebe ML	601,934	208,604	53,208	67,476	931,222
Ramalefane SJ	601,934	208,604	53,208	67,476	931,222
Ramatisa PT	253,247	88,021	53,208	29,572	424,048
Rantso MJ	342,649	-	53,208	28,049	423,906
Scheurkogel IS	367,213	-	53,208	3,976	424,397
Schoeman A	279,192	88,021	53,208	3,800	424,221
Seane LI	367,213	-	53,208	3,976	424,397
Sithole MA	279,192	88,021	53,208	3,822	424,243
Sotenjwa V	261,912	88,021	53,208	21,080	424,221
Steyn R	277,965	73,800	53,208	18,966	423,939
Stofile RB	911,013	-	53,208	27,095	991,316
Taljaard SDM	261,912	88,021	53,208	21,080	424,221
Tau RD	367,213	-	53,208	3,976	424,397
Thelingoane TJ	687,034	135,819	53,208	36,339	912,400
Tlake KR	678,090	208,604	53,208	26,207	966,109
Tshabangu SE	279,192	88,021	53,208	3,800	424,221
Tsuinke SE	367,213	-	53,208	3,976	424,397
Twala MJ	161,988	-	26,175	1,778	189,941
Van Rooyen MS	279,192	88,021	53,208	3,800	424,221
Xaba Monjovo NE	607,426	208,604	53,208	64,122	933,360
	27,930,669	4,901,637	3,821,360	1,329,786	37,983,452

Details of remuneration for the year ended 30 June 2023

Name of councillor	Annual remuneration	Car allowance	Cellphone allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	343,670	7,455	40,800	3,541	395,466
Badenhorst HS	343,760	7,455	40,800	3,541	395,556
Botha PF	309,828	7,455	40,800	37,139	395,222
Botha GP	341,275	6,627	40,800	3,683	392,385
Buti MP	809,295	16,042	40,800	8,478	874,615
Chaka MS	828	2,485	-	42	3,355
Claassen Malherbe C	343,760	7,455	40,800	3,541	395,556
Danster MP	828	2,485	-	42	3,355
Du Plessis JM	343,760	7,455	40,800	3,541	395,556
Dyantyi A	343,760	7,455	40,800	3,541	395,556
Hanisi C	341,275	6,627	40,800	12,409	401,111
Helepi AB	332,635	6,627	40,800	12,323	392,385
Hess S	341,275	6,627	40,800	3,683	392,385
Jacobs EJ	343,760	7,455	40,800	3,541	395,556
Jama BL	343,760	7,455	40,800	3,541	395,556
Janse Van Rensburg WH	341,275	6,627	40,800	3,683	392,385
Kalipa T	332,635	6,627	40,800	12,152	392,214
Khalipha TD	1,073,189	18,323	40,800	28,451	1,160,763
Khepeng MA	341,275	6,627	40,800	3,683	392,385
Khetsi LE	327,946	7,455	40,800	20,405	396,606
Khothule MJ	828	2,485	-	42	3,355
Letlhake TW	316,766	7,455	40,800	30,340	395,361
Lesenyeho ML	769,062	13,742	40,800	48,809	872,413
Letsele Setlhabi SV	341,275	6,627	40,800	3,683	392,385
Liphoko SJ	1,679	5,038	-	85	6,802
Lushaba TB	1,963	5,889	-	85	7,937

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand				2024	2023
31. Remuneration of councillors (continued)					
Macingwane MT	828	2,485	-	42	3,355
Mafa DM	828	2,485	-	42	3,355
Mafaisa MG	828	2,485	-	42	3,355
Mahlaku ME	341,275	828	40,800	3,625	386,528
Mahlumba BH	1,063	3,189	-	51	4,303
Maile LJ	341,275	6,627	40,800	3,669	392,371
Maile PE	341,275	6,627	40,800	3,683	392,385
Makaliane CL	323,995	6,627	40,800	20,849	392,271
Manenye AJ	343,760	7,455	40,800	3,541	395,556
Manese SD	325,958	12,516	40,800	21,048	400,322
Maruping II	341,275	6,627	40,800	3,683	392,385
Marais JS	828	2,485	-	42	3,355
Masienyane MD	-	7,622	-	87	7,709
Masina XN	788,477	17,515	40,800	45,550	892,342
Mawela VE	1,963	5,889	-	85	7,937
Meli TS	828	2,485	-	42	3,355
Moalosi TE	341,275	6,627	40,800	3,683	392,385
Mohapi LA	325,030	5,591	40,800	20,790	392,211
Moipatle KV	792,559	26,928	40,800	25,860	886,147
Mokhomo HA	756,016	17,759	40,800	73,389	887,964
Mokhothu SM	341,275	6,627	40,800	3,683	392,385
Molefi M	308,172	9,112	40,800	37,143	395,227
Molelekoa PMI	828	2,485	-	42	3,355
Moloja NJ	828	2,485	-	42	3,355
Molula IP	323,995	6,627	40,800	20,963	392,385
Montoele DB	341,275	6,627	40,800	3,569	392,271
Moopela RH	332,023	5,798	40,800	13,591	392,212
Morris VR	1,963	5,889	-	85	7,937
Moshoeu ZS	779,288	13,903	40,800	48,854	882,845
Mosia TJ	326,423	7,455	40,800	20,525	395,203
Motlatsi SH	341,275	6,627	40,800	3,683	392,385
Mphikeleli MA	333,371	8,366	40,800	13,769	396,306
Mphore IP	341,275	6,627	40,800	3,683	392,385
Mthebere NA	828	2,485	-	42	3,355
Nel J	341,275	6,627	40,800	3,683	392,385
Nkone GNP	341,275	6,627	40,800	3,683	392,385
Nkonka BB	828	2,485	-	42	3,355
Nqeobo ME	343,760	7,455	40,800	3,541	395,556
Nthako TD	828	2,485	-	42	3,355
Nthuba PV	342,103	5,798	40,800	3,511	392,212
Ntoni KM	323,995	6,627	40,800	20,792	392,214
Ntsebeng MH	828	2,485	-	42	3,355
Ntuli BN	828	2,485	-	42	3,355
Olifant MA	-	828	-	19	847
Petersen SL	-	1,657	-	27	1,684
Phiri EP	341,275	6,627	40,800	3,683	392,385
Phofeli NM	828	2,485	-	42	3,355
Pholo SJ	828	2,485	-	42	3,355
Poo IP	828	2,485	-	42	3,355
Presente LN	343,760	7,455	40,800	3,541	395,556
Pretorius HS	341,896	6,005	40,800	3,511	392,212
Radebe MC	793,487	20,459	40,800	25,814	880,560
Radebe ML	766,077	20,459	40,800	52,339	879,675
Rakaki MM	828	2,485	-	42	3,355
Ramabodu BM	828	2,485	-	42	3,355
Ramalefane SJ	779,763	13,903	40,800	45,496	879,962
Ramatisa PT	325,030	8,905	40,800	20,823	395,558
Ramosie BS	1,243	4,556	-	66	5,865
Rantso MJ	341,275	828	40,800	3,625	386,528

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand				2024	2023
31. Remuneration of councillors (continued)					
Riet MI	1,112	3,336	-	64	4,512
Scheurkogel IS	341,275	6,627	40,800	3,683	392,385
Schoeman A	343,760	7,455	40,800	3,541	395,556
Sebotsa MM	-	2,485	-	42	2,527
Seane LI	341,275	6,627	40,800	3,683	392,385
Seate MO	-	1,657	-	27	1,684
Senoge MM	828	2,485	-	42	3,355
Setabela ML	-	828	-	19	847
Sithole AM	343,760	7,455	40,800	3,541	395,556
Sotenjwa V	323,995	6,627	40,800	20,792	392,214
Speelman NW	2,617	7,853	-	110	10,580
Steyn R	341,275	6,627	40,800	3,683	392,385
Stofile RB	847,537	20,938	40,800	26,552	935,827
Styger A	828	2,485	-	42	3,355
Taljaard SDM	326,480	7,455	40,800	20,821	395,556
Tau RD	341,275	6,627	40,800	3,683	392,385
Thelingoane NE	828	2,485	-	42	3,355
Thelingoane TJ	793,943	4,349	40,800	8,121	847,213
Tlake KR	791,524	17,883	40,800	25,762	875,969
Tsatsa SJ	828	2,485	-	42	3,355
Tshabangu SE	343,760	7,455	40,800	3,541	395,556
Tshokotshela NJ	828	2,485	-	42	3,355
Tshopo ME	1,963	5,889	-	85	7,937
Tsunke SE	341,275	6,627	40,800	3,683	392,385
Twala MJ	341,275	6,627	40,800	3,683	392,385
Van Rooyen KV	1,963	5,889	-	85	7,937
Van Rooyen MS	343,760	7,455	40,800	3,541	395,556
Van Schalkvyk HCT	828	2,485	-	42	3,355
Xaba Monjovo NE	792,559	16,848	40,800	25,760	875,967
	30,918,534	769,730	2,937,600	1,012,767	35,638,631
32. Depreciation and amortisation					
Property, plant and equipment				213,716,833	195,523,181
33. Impairment loss					
Impairments					
Property, plant and equipment				1,836,429	25,035,938
The main classes of assets affected by impairment losses are as follows:					
Infrastructure				788,171	25,035,938
Transport assets				275,028	-
Land and buildings				773,230	-
				1,836,429	25,035,938
34. Finance costs					
Trade and other payables				242,872,235	332,177,303
Bank				-	605
Provisions				-	2,177,770
				242,872,235	334,355,678

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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35. Debt impairment

Contributions to debt impairment provision	964,702,520	1,116,245,618
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36. Bulk purchases

Electricity	736,691,001	626,573,708
Water	737,971,863	623,872,503
	1,474,662,864	1,250,446,211

Electricity losses

Units purchased (Kw/H)	390,223,707	376,168,220
Units sold (Kw/H)	(282,126,214)	(286,811,187)
Total loss	108,097,493	89,357,033

Rand value of loss:		
Non-technical losses	204,066,688	144,258,609

Percentage Loss:		
Non-technical losses	28 %	24 %

These losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non technical losses, e.g. theft and vandalism.

Water losses

Units purchased (Kl)	51,283,660	41,473,651
Units sold (Kl)	(22,253,631)	(22,903,626)
Total	29,030,029	18,570,025

Rand value of loss:		
Non-technical losses	417,742,117	239,831,884

Percentage Loss:		
Non-technical losses	57 %	45 %

These losses are predominantly due to metering inefficiencies, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses.

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Contracted services		
Professional services	48,060,514	57,359,563
Outsourced services	6,012,583	501,822
Meter reading services	4,446,613	8,230,931
Legal services	21,073,794	15,231,796
Security services	42,152,116	39,520,016
	121,745,620	120,844,128

Contractors

Bore Waterhole Drilling	843,377	5,456,173
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Contracted services are mandated services in terms of the Local Government: Municipal Structures Act, Act 117 of 1998, a municipal by-law or the Integrated Development Plan (IDP) that the municipality is expected to have the capacity and expertise to deliver, but are being Outsourced instead.

38. General expenses

Advertising	11,142,695	7,151,527
Assets expensed	338,022	5,358,993
Audit fees	13,545,680	14,551,912
Bank charges	5,750,763	5,475,952
Cleaning	1,955,221	2,920,771
Commission paid	6,186,806	4,496,727
Community development and training	2,847,850	1,887,140
Consumables	35,684,656	28,806,109
Electricity	5,953,525	-
Entertainment	364,325	167,793
Fines and penalties	2,690,999	3,034,600
Fuel and oil	30,522,235	38,323,884
Insurance	6,646,315	37,779,494
Inventory written off	2,070,000	-
Motor vehicle expenses	8,281,632	36,124,277
Other expenses	11,045,888	10,834,559
Poverty relief	-	682,300
Royalties and license fees	8,535,971	13,327,473
Staff welfare	1,650,828	1,660,794
Subscriptions and membership fees	10,736,947	12,052,103
Telephone and fax	28,611,692	24,652,463
Training	744,953	60,274
Travelling costs	2,660,994	10,072,981
Uniforms	19,257,493	27,196,756
Ward committee members' remuneration	4,131,000	4,254,000
	221,356,490	290,872,882

39. Repairs and maintenance

Repairs and maintenance	31,085,404	13,709,294
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Figures in Rand	2024	2023
40. Fair value adjustments		
Investment property (Fair value model)	49,773,887	117,576,984
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	94,869	58,212
	49,868,756	117,635,196

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Figures in Rand	2024	2023
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41. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	44,171,709	44,171,709
Other financial assets	568,885	-	568,885
Other receivables	-	50,710,263	50,710,263
Receivables from exchange transactions	-	1,685,866,749	1,685,866,749
Receivables from non-exchange transactions	-	416,062,510	416,062,510
	568,885	2,196,811,231	2,197,380,116

Financial liabilities

	At amortised cost	Total
Consumer deposits	46,390,416	46,390,416
Trade and other payables from exchange transactions	7,475,933,817	7,475,933,817
Unspent conditional grants and receipts	74,598,566	74,598,566
Concessionary loan	5,250,339,733	5,250,339,733
	12,847,262,532	12,847,262,532

2023

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	125,689,425	125,689,425
Other financial assets	474,015	-	474,015
Other receivables	-	31,329,060	31,329,060
Receivables from exchange transactions	-	1,125,218,880	1,125,218,880
Receivables from non-exchange transactions	-	296,597,861	296,597,861
	474,015	1,578,835,226	1,579,309,241

Financial liabilities

	At amortised cost	Total
Consumer deposits	43,478,153	43,478,153
Trade and other payables from exchange transactions	11,551,532,419	11,551,532,419
Unspent conditional grants and receipts	118,957,275	118,957,275
	11,713,967,847	11,713,967,847

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42. Commitments		
Authorised capital expenditure		
Already contracted for and provided for		
• Infrastructure	194,772,362	161,798,709
Total capital commitments		
Already contracted for and provided for	194,772,362	161,798,709

This committed expenditure relates to infrastructure projects and will be financed by funds internally generated and grants received.

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43. Contingencies				
Contingent liabilities				
Several claims are in the process against the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:				
Nature of litigation	Possible Rand value of claim 2024	Possible Rand value of claim 2023	Number of litigations 2024	Number of litigations 2023
Civil litigations	134,900,000	140,698,974	3	3
Claims for services rendered	1,409,001,820	402,595,458	119	39
Public liability claim	872,500	872,500	3	3
	1,544,774,320	544,166,932	125	45

Civil Litigation - Summons was issued against Matjhabeng Local Municipality by various plaintiffs for outstanding rates & taxes, monies owed and compliances in terms of the Deed of Cession.

Claims for Services Rendered - Various summons has been issued against Matjhabeng Local Municipality by plaintiffs for services that they rendered for the Municipality, but did not receive payment for.

Public Liability Claim - These are claims that are made for injuries sustained as a result of accidents that occur on property that is open or accessible to the public. The claims briefly relate to the following:
Plaintiff alleged that she slipped and fell on a spinach leave outside Welkom Mini Market and Matjhabeng Local Municipality is responsible for removing rubble and keeping the premises neat and clean, damage to public vehicles due to potholes and a plaintiff suffered damages due to Matjhabeng Local Municipality's irresponsible actions.

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43. Contingencies (continued)

Contingent assets

Several claims are in the process on behalf of the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:

Claims for services rendered - Relating to various claims from third parties for services rendered, such as providing water and electricity, property rates etc.

Nature of litigations	Possible Rand value of claim 2024	Possible Rand value of claim 2023	Number of litigations 2024	Number of litigations 2023
Claims for services rendered	1,500,000	1,500,000	2	2

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44. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

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.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Payables from exchange transactions	7,475,933,817	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Payables from exchange transactions	11,551,532,419	-	-	-

Credit risk

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

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

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

Financial instrument	2024	2023
Other financial assets	568,885	474,015
Other receivables	50,710,263	31,329,060
Receivables from non-exchange transactions	416,062,510	296,597,861
Receivables from exchange transactions	1,685,866,749	1,125,218,880
Cash and cash equivalents	44,171,709	125,689,425

45. Related parties

Relationships

Accounting Officers

Refer to accounting officers' report note

Members of key management

Refer to note 30

Members of council

Refer to note 31

During the financial year, there were no members of key management with related party transactions.

Key management and councilors receive and pay for services on the same terms and conditions as other rate payers, these transactions are recorded at arm's length.

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46. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

A summarised explanation of the prior period errors are as follows:

Other receivables were revised following a correction related to traffic fines.

Investment property was adjusted due to reclassification to Property, Plant, and Equipment.

Property, Plant, and Equipment underwent restatement as a result of reclassifications and corrections in depreciation.

Payables from exchange transactions were amended due to the inclusion of accruals that were mistakenly omitted in earlier reporting periods.

Fines, Penalties, and Forfeits were revised due to a correction concerning traffic fines.

Depreciation and amortization were restated following an adjustment in the recorded amounts.

Contracted services were revised due to the inclusion of accruals that were previously overlooked in earlier reporting periods.

General expenditure was restated due to the inclusion of accruals that were erroneously omitted in prior reporting periods, a correction related to traffic fines, and reclassification from amounts that were incorrectly capitalized.

Work-in-progress was restated as a result of a casting error.

Commitments were revised due to amounts that were incorrectly disclosed in the previous year.

Statement of financial position

2023

	Note	As previously reported	Correction of error	Adjustment 2023	Re-classification	Restated
Other receivables	7	30,052,992	2,407,800	-	-	32,460,792
Investment property	10	2,072,608,999	-	-	(18,370,000)	2,054,238,999
Property, plant and equipment	11	3,877,490,369	180,274,670	-	3,883,780	4,061,648,819
Payables from exchange transactions	13	(11,991,073,576)	(12,328,564)	-	-	-12,003,402,140
Accumulated surplus		(3,087,238,135)	(7,352,629)	(947,220,214)	-	(4,041,810,978)
		(9,098,159,351)	163,001,277	(947,220,214)	(14,486,220)	(9,896,864,508)

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Figures in Rand		2024	2023	
46. Prior-year adjustments (continued)				
Statement of financial performance				
2023				
	Note	As previously reported	Correction of error	Restated
Fines, penalties and forfeits	21	2,619,796	(626,800)	1,992,996
Contracted services	37	(125,721,941)	(578,360)	(126,300,301)
General expenditure	38	(289,509,905)	(1,362,976)	(290,872,881)
Depreciation and amortisation	32	(230,684,529)	35,161,348	(195,523,181)
Surplus for the year		(643,296,579)	32,593,212	(610,703,367)
Disclosure				
		As previously reported	Correction of error	Restated
Work-in-progress	11	582,389,682	(171,633,817)	410,755,876
Commitments	42	189,451,753	(27,653,044)	161,798,751
	53	771,841,435	(199,286,861)	572,554,627

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47. Going concern

Management made an assessment on Matjhabeng Local Municipality's ability to continue as a going concern and whether this set of Financial Statement should be prepared on the going concern basis. Based on the assessment management identified following conditions that may cast significant doubt on MLM's ability to continue as a going concern:

Solvency assessment

We draw attention to the fact that at 30 June 2024::

The municipality had an accumulated deficit of R4 705 600 077 (2023: R4 041 810 978)

The municipality's total liabilities exceed its assets by R4 705 600 077 (2023: R4 041 810 978). Some of the losses on the are non-cash items and had no cash flow.

The municipality had a deficit of R273 686 576 (R1 083 086 436) this is 75% improvement from the preceding year.

Liquidity assessment

Based on the current assets and current liabilities values on the balance sheet we calculated the following ratios to assess liquidity of the municipality:

Current ratio: (0,32: 1) Total current assets cover only 32% of the total current liabilities. Acid

ratio: (0,32: 1) Quick assets covers only 32% of the current liabilities.

Cash ratio: (0,0045 : 1) Cash and cash equivalent can only cover 0.45% of current liabilities if they become due

Creditors days: It takes the municipality an average of 1 462 days to pay its creditors.

In addition to above the municipality owed Eskom R848 602 951 (Debt Relief portion of R5 250 339 733) (2023: R5 630 675 806) and Vaal Central R6 161 839 566 (2023: R5 436 424 698) these accounts are long overdue.

Debtors' impairment decreased from R1 116 245 618 to R964 702 520 from the prior year.

Notwithstanding the above negative indicators there is an assurance that municipal activities will still continue to meet its statutory obligation for the foreseeable future based on the following:

- The municipality will continue to have the power to levy rates in the following financial period.
- In the current year the municipality has implemented revenue enhancement programs, these revenue enhancement programs "Operation Patala" will include a specific recovery of arrear amounts from clients.
- ' - National Treasury approved the Matjhabeng Local Municipality's application to participate in the Circular 124 Municipal Debt Relief programme with effect from 1 November 2023. The resulting effect being that Eskom suppressed the charging of interest on the Interim Debt and will consider writing off the balance at the end of the municipality's 36-month debt relief compliance cycle. This would lead to the write-off of R5 250 339 733 of the municipality's debt. The municipality is committed to complying with the requirements of the Debt relief this and resolved to adhere to the payment arrangement.

The DORA allocation for the grants to be received in the 2024 /2025:

- Equitable share: R777 846 000

- MIG: R146 549 000

- LGFMG: R 3 000 000

- INEP: R 19 800 000

- The municipality has an improved working capital management manifested by reduction of third-party by consistent payments of third parties.

- The Council has resolved that the Municipal Manager should conclude and sign Servitude/Lease Option Agreements on the Council's behalf which will generate monthly rates and taxes payable by the lessees, this will improve revenue collection.

- The municipality has managed to procure fleet (Transport Assets) to the value of R45 871 550 in the current financial year. These assets are aimed at improving service delivery, which is the core mandate of the Council which may increase debt collection.

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47. Going concern (continued)		
- The Council has resolved that the Municipal Manager should conclude and sign Servitude/Lease Option Agreements on the Council's behalf which will generate monthly rates and taxes payable by the lessees, this will improve revenue collection.		
48. Events after the reporting date		
The following adjusting events were identified at the time of preparing and submitting the annual financial statements:		
- Debt write-off		
In a council meeting held 29 August 2024, council meeting resolved to write-off the following amounts:		
1. Municipal debt amount to R74 626 012		
2. Indigent debt amounting to R229 755 960		
- Fruitless and wasteful expenditure write-off		
In the council sitting held on 2 December 2024, it was resolved to write off the 2022/2023 fruitless and wasteful expenditure.		
The following non-adjusting events were identified at the time of preparing and submitting the annual financial statements:		
- Fruitless and wasteful expenditure write-off		
In the council sitting held on 2 December 2024, it was resolved to write-off the 2023/2024 fruitless and wasteful expenditure.		
49. Unauthorised expenditure		
Opening balance as previously reported	2,492,276,125	2,277,614,175
Add: Unauthorised expenditure	1,048,403,955	1,067,576,614
Less: Amount written off	-	(852,914,664)
Less: Amount authorised	(1,067,576,614)	-
Closing balance	2,473,103,466	2,492,276,125

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	159,778,348	824,920,351
Cash	888,625,606	242,656,263
	1,048,403,954	1,067,576,614

Unauthorised expenditure relates to the overspending of the approved budget.

Details of investigations performed

Upon the conclusion of investigations, in its sitting of 27 February 2024 the council resolved to authorise the unauthorized expenditure.

50. Fruitless and wasteful expenditure

Opening balance	339,841,916	313,298,103
Fruitless and wasteful expenditure	239,024,031	339,841,917
Less: Amount written off – current	(339,841,917)	(313,298,104)
Closing balance	239,024,030	339,841,916

Fruitless and wasteful expenditure includes interest levied for late payment of creditors.

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50. Fruitless and wasteful expenditure (continued)		
Details of investigations performed		
Upon the conclusion of investigations, in its sitting of 2 December 2024, council resolved to write-off the 2022/23 fruitless and wasteful expenditure 2022/23.		
51. Irregular expenditure		
Opening balance as previously reported	1,829,444,788	1,682,690,410
Add: Irregular expenditure - current	61,112,599	132,400,248
Add: Irregular Expenditure identified during the audit	62,643,395	14,354,130
Closing balance	1,953,200,782	1,829,444,788

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51. Irregular expenditure (continued)

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

Non-compliance with the MFMA & Supply Chain Policy	123,755,994	146,754,378
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Details of investigations performed

Investigations are still in progress regarding cases which are related to non-compliance with procurement process requirements.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	16,663,072	13,281,101
Current year subscription fee	10,533,144	10,131,970
Amount paid - current year	(9,000,000)	(6,750,000)
	18,196,216	16,663,071

Being the subscription fee to the South African Local Government Association (SALGA).

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	1,311,681	3,777,425
Current year audit fees	12,379,166	13,186,680
Interest charged	307,988	121,470
Amount paid - current year	(10,508,797)	(11,996,468)
Amount paid - previous years	(1,310,944)	(3,777,426)
	2,179,094	1,311,681
PAYE, UIF and SDL		
Opening balance	18,693,743	30,731,226
Current year payroll deductions and council contributions	152,529,910	139,977,837
Penalties and interest	-	8,805,376
Adjustments made by SARS	-	(23,024,367)
Amount paid - current year	(151,780,161)	(113,825,931)
Amount paid - previous years	-	(23,970,398)
	19,443,492	18,693,743
Pension and Medical Aid Deductions		
Opening balance	(34,972,656)	41,752,336
Current year payroll deductions and council contributions	146,921,227	129,705,934
Amount paid - current year	(134,215,027)	(206,430,926)
	(22,266,456)	(34,972,656)
VAT		
VAT receivable	1,020,233,352	968,241,561

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

Councillors' arrear consumer accounts

The following councilors had arrear accounts outstanding for more than 90 days:

30 June 2024	Total
Buti MP	10,969
Helepi AB	109,833
Jansen Van Rensburg WH	9,092
Kalipa T	5,663
Khepeng MA	9,253
Mahlaku ME	60,098
Masina XN	31,967
Mokhomo HA	112,197
Mphore IP	6,831
Nthuba PV	23,284
Rantso MJ	97,775
Tshabangu SE	75,177
Xaba-Monjovo NE	7,841
	559,980

30 June 2023	Total
Buti MP	9,159
Helepi AB	108,279
Janse Van Rensburg WH	6,691
Khalipha TD	7,985
Khepeng MA	21,124
Mahlaku ME	66,284
Masina XN	22,159
Mokhomo HA	56,049
Mphore IP	16,677
Nthuba PV	33,801
Rantso MJ	75,796
Tshabangu SE	46,058
Twala MJ	436,014
Xaba-Monjovo NE	14,981
	921,057

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

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 deviate from official procurement process in certain circumstances, provided the reasons for any deviations are recorded, reported to Council.

30 June 2024	Emergency
August 2023	1,946,381
September 2023	2,124,878
October 2023	869,565
November 2023	1,352,566
December 2023	2,349,062
January 2024	2,436,054
February 2024	869,565
March 2024	3,705,652
April 2024	3,673,736
May 2024	3,889,828
June 2024	7,960,815
	31,178,102

30 June 2023	Emergency
July 2022	1,043,960
August 2022	1,422,990
October 2022	268,200
November 2022	776,121
December 2022	860,000
January 2023	432,376
February 2023	933,904
March 2023	1,175,895
April 2023	1,285,999
May 2023	1,384,855
June 2023	745,000
	10,329,300

53. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates throughout the Free State Province in 6 towns. Segments were aggregated on the basis of services delivered.

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53. 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

Community and public safety

Trading services

Economic and environmental services

Other (fresh produce market and airport services)

Goods and/or services

Community services

Sales of goods and services

Public services

Sales of goods and services

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53. Segment information (continued)

Segment surplus or deficit

2024

	Community and public safety	Trading services	Economic and environmental services	Other	Governance and administration	Total
Revenue						
External revenue from non-exchange transactions	2,464,406	49,323,113	-	-	1,708,363,262	1,760,150,781
External revenue from exchange transactions	5,199,596	1,588,808,065	13,494	266,320	43,776,347	1,638,063,822
Interest revenue	-	449,508,625	-	-	89,945,073	539,453,698
Actuarial gains	-	-	-	-	22,381,768	22,381,768
Fair value adjustments	-	-	-	-	49,868,756	49,868,756
Total segment revenue	7,664,002	2,087,639,803	13,494	266,320	1,914,335,206	4,009,918,825
Entity's revenue						4,009,918,825
Expenditure						
Total segment expenditure	243,630,128	2,652,089,947	55,228,707	3,055,429	871,175,699	3,825,179,910
Impairment loss	-	-	-	-	1,836,429	1,836,429
Depreciation and amortisation	18,004,069	35,168,977	-	-	160,543,787	213,716,833
Interest expenses	-	-	-	-	242,872,234	242,872,234
Total segment expenditure	261,634,197	2,687,258,924	55,228,707	3,055,429	1,276,428,149	4,283,605,406
Total segmental surplus/(deficit)	(253,970,195)	(599,619,121)	(55,215,213)	(2,789,109)	637,907,057	(273,686,581)

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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54. Cash generated from operations		
Deficit	(273,686,576)	(1,083,086,436)
Adjustments for:		
Depreciation and amortisation	213,716,833	195,523,181
Fair value adjustments	(49,868,756)	(117,635,196)
Interest income	(531,736,712)	(400,236,097)
Dividends or similar distributions received	(49,223)	(40,753)
Finance costs	242,872,235	334,355,678
Impairment deficit	1,836,429	25,035,938
Debt impairment	964,702,520	1,116,245,618
Employee benefit obligations - finance cost	58,074,325	47,540,982
Employee benefit obligations - current service cost	29,175,269	24,781,294
Non-cash donations and other in-kind benefits	-	(4,217,105)
Provision raises/increased - finance cost	(1,881,180)	2,177,770
Actuarial loss	(22,381,768)	(99,108,346)
Other non-cash items	(347,338,131)	-
Changes in working capital:		
Inventories	(2,838,444)	1,260,730
Other receivables	(19,381,203)	2,135,414
Consumer debtors	(874,149,028)	(806,502,505)
Other receivables from non-exchange transactions	(238,929,298)	(28,253,385)
Payables from exchange transactions	968,111,805	1,019,111,029
VAT	(51,991,791)	(47,642,967)
Unspent conditional grants and receipts	(44,358,709)	(72,043,851)
Consumer deposits	2,912,263	5,543,250
Employee benefit obligation - expected payments	(13,772,270)	(8,946,741)
	9,038,590	105,997,502

