Accounting Officer's Responsibilities and Approval

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

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the 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, mitigating and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The annual financial statements set out on pages 6 to 114, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed on its behalf by:

Accounting Officer
Dr FP Mothamaha

Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	An organ of state within the local sphere of government excercising executive and legislative authority
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWS and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Executive Mayor	De Beer VE
Members of the Mayoral Committee	De Beer VE (Exco Member)
	Mopedi NP (Speaker)
	Khumalo KJ (Corporate Services Committee)
	Mosooane D (Special Programme and IDP Committee)
	Mofokeng MD (Infrastructure and LED Committee)
	Moloi NS (Public Safety and Transport)
	Mosepedi MTJ (Urban, Planning and Rural Committee)
	Sefako ME (Social and Community Development Committee)
	Serati MJ (Finance and Budget Committee)
Councillors	De Jager AJ
	De Jager SHF
	Ferendale RS
	Jantjie AA
	Kok S
	La Cock SM
	Magashule IM
	Matthysen-Engelbrecht M
	Meyer JA
	Mokoena BT
	Mokoena KJ
	Moloi MP
	Moroenyane MJ (Passed away in June 2024)
	Moseme SL
	Motaung MP
	Nteo S
	Nthoesane S
	Rantsaile MM
	Rapuleng MD
	Schoonwinkel A
	Segoba SJ (Resigned on 02 October 2023)
	Sehume NA
	Serfontein C
	Sothoane TP
	Sotshiva L
	Toyi MS

General Information

	Tyumbu MJ
	Van der Merwe PP
	Mbele MJ (Appointed on 06 November 2023)
Grading of local authority	Local Medium Capacity Municipality (Grade 4)
Accounting Officer	Dr Mothamaha FP (Acting Accounting Officer appointed on 01 May 2024. Appointed as permanent Accounting Officer as from 01 September 2024)
	T Manele (20 July 2023 to 30 April 2024)
Chief Finance Officer (CFO)	Lepesa KB (Acting CFO appointed on 13 June 2023)
	Xulu M was appointed as permanent CFO as from 01 September 2024
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)

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The reports and statements set out below comprise the annual financial statements presented to the Council:

Abbreviations used:

DWS	Department of Water and Sanitation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
CPI	Consumer Price Index
SG	Surveyor General
HPI	House Price Indices
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The annual financial statements set out on pages 6 to 117, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed on its behalf by:

Accounting Officer
Dr FP Mothamaha

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: waste management services (the collection, disposal and purifying of waste, refuse and sewerage); electricity services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); water services (water is bought in bulk from DWS and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff) and operates principally in South Africa

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had accumulated deficits of R (304 657 259) and that the municipality's total liabilities exceeds its assets by R (304 657 259).

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

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

3. Subsequent events

The following subsequent events transpired after the reporting date and before the annual financial statements were authorised for issue:

Dr FP Mothamaha has been appointed as the Municipal Manager as from 01 September 2024

Mr M Xulu has been appointed as the Chief Financial Officer as from 01 September 2024

The High Court judgement (Afriforum vs Nersa High Court judgement on the municipalities) indicated that Ngwathe Local Municipality is one of the non-compliant municipalities and subsequently became complaint as a result of their initial applications having been supplemented by cost of supply studies and re-approved by Nersa within the 60-day court extension period.

The Municipality is only cited as MLM but no judgement has been issued against the Municipality. The court matter with Afriforum is only scheduled to sit on the 5th of December. The Municipality had a successful stakeholder meeting on the 13th of November 2024 wherein Afriforum was also respresented. The approach is to explore an out of court settlement for which sentiments were conveyed to the regional representations of Afriforum.The financial effect of the subsequent event is unkown at this stage.

4. Accounting Officer

The accounting officer of the municipality at the date of this report is as follows:

Name	Nationality	Changes
Dr FP Mothamaha	South African	Current Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Other receivables	6	2 526 885	1 537 604
Inventories	7	3 116 339	3 218 463
Receivables from non-exchange transactions	8	31 765 921	28 755 118
Receivables from exchange transactions	9	182 693 903	140 360 057
VAT receivable	10	268 444 190	235 742 256
Cash and cash equivalents	11	62 102 449	45 971 786
		550 649 687	**455 585 284**
Non-Current Assets			
Investment property	3	285 808 846	188 279 925
Property, plant and equipment	4	1 643 373 628	1 624 360 214
Other financial assets	5	886 889	741 083
		1 930 069 363	**1 813 381 222**
Total Assets		**2 480 719 050**	**2 268 966 506**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	2 597 115 497	2 271 961 829
Consumer deposits	13	5 146 429	4 885 833
Employee benefit obligation	14	4 683 110	3 619 982
Unspent conditional grants and receipts	15	28 527 438	79 119 367
		2 635 472 474	**2 359 587 011**
Non-Current Liabilities			
Employee benefit obligation	14	39 335 685	32 626 054
Provisions	16	110 568 150	106 311 140
		149 903 835	**138 937 194**
Total Liabilities		**2 785 376 309**	**2 498 524 205**
Net Assets		**(304 657 259)**	**(229 557 699)**
Accumulated deficit		(304 657 259)	(229 557 699)
Total Net Assets		**(304 657 259)**	**(229 557 699)**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	394 316 380	372 355 358
Rental of facilities and equipment	19	116 148	95 444
Other income	20	2 108 232	3 443 463
Interest received from exchange transactions	22	74 374 990	53 935 321
Dividends received	22	-	7 062
Total revenue from exchange transactions		**470 915 750**	**429 836 648**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	103 832 293	96 968 756
Transfer revenue			
Government grants & subsidies	25	348 477 287	301 933 037
Fines, Penalties and Forfeits	26	148 032	41 733
Interest received from non-exchange transactions	23	24 805 120	18 249 725
Debt waived	21	115 890 610	-
Total revenue from non-exchange transactions		**593 153 342**	**417 193 251**
Total revenue	17	**1 064 069 092**	**847 029 899**
Expenditure			
Employee related costs	27	(284 917 726)	(262 012 444)
Remuneration of councillors	28	(17 782 016)	(16 678 658)
Depreciation and amortisation	29	(51 514 504)	(50 969 580)
Finance costs	31	(105 714 069)	(78 433 382)
Debt Impairment	32	(243 218 408)	(202 115 782)
Bulk purchases	33	(336 781 951)	(286 130 055)
Contracted services	34	(51 000 388)	(33 574 996)
General Expenses	35	(116 168 905)	(117 131 652)
Repairs and maintenance	36	(15 451 299)	(13 916 671)
Total expenditure		**(1 222 549 266)**	**(1 060 963 220)**
Operating deficit		**(158 480 174)**	**(213 933 321)**
Loss on disposal of assets and liabilities		(204 766)	(429 455)
Fair value adjustments	37	97 479 293	3 555 624
Actuarial gains/losses	14	(6 189 829)	4 303 863
Impairment loss	30	(7 697 700)	(21 866 249)
Inventories (loss)/surplus		(6 384)	115 032
		83 380 614	**(14 321 185)**
Deficit for the year		**(75 099 560)**	**(228 254 506)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	33 923 346	33 923 346
Adjustments		
Correction of errors	(35 226 539)	(35 226 539)
Balance at 01 July 2022 as restated*	**(1 303 193)**	**(1 303 193)**
Changes in net assets		
Deficit as previously reported	(225 757 094)	(225 757 094)
Correction of errors	(2 497 412)	(2 497 412)
Total changes	(228 254 506)	(228 254 506)
Restated* Balance at 01 July 2023	**(229 557 699)**	**(229 557 699)**
Changes in net assets		
Deficit for the year	(75 099 560)	(75 099 560)
Total changes	(75 099 560)	(75 099 560)
Balance at 30 June 2024	**(304 657 259)**	**(304 657 259)**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		317 824 427	318 487 343
Grants		297 885 358	321 016 523
Interest income		10 824 643	7 856 594
Other receipts		1 266 983	4 109 927
		627 801 411	651 470 387
Payments			
Employee costs		(285 865 430)	(277 524 776)
Suppliers		(241 144 983)	(284 819 093)
Finance costs		(666 705)	(243 160)
Taxes paid		(5 563 438)	(1 774 930)
		(533 240 556)	(564 361 959)
Net cash flows from operating activities	38	**94 560 855**	**87 108 428**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(75 202 152)	(40 629 898)
Cash flows from financing activities			
Employee benefit obligation payment		(3 228 040)	(5 705 986)
Net increase/(decrease) in cash and cash equivalents		**16 130 663**	**40 772 544**
Cash and cash equivalents at the beginning of the year		45 971 786	5 199 242
Cash and cash equivalents at the end of the year	11	**62 102 449**	**45 971 786**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	608 854 935	(24 827 878)	**584 027 057**	394 316 380	**(189 710 677)**	52.01
Rental of facilities and equipment	286 377	170 000	**456 377**	116 148	**(340 229)**	52.02
Other income	1 708 335	225 500	**1 933 835**	2 108 232	**174 397**	52.03
Interest received from exchange transactions	48 789 803	-	**48 789 803**	74 374 990	**25 585 187**	52.04
Total revenue from exchange transactions	**659 639 450**	**(24 432 378)**	**635 207 072**	**470 915 750**	**(164 291 322)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	125 697 893	-	**125 697 893**	103 832 293	**(21 865 600)**	52.05
Transfer revenue						
Government grants & subsidies	410 322 000	(4 933 643)	**405 388 357**	348 477 287	**(56 911 070)**	52.06
Fines, Penalties and Forfeits	1 919 882	(791 000)	**1 128 882**	148 032	**(980 850)**	52.07
Interest from non-exchange transactions	-	-	**-**	24 805 120	**24 805 120**	52.04
Debt waived	-	-	**-**	115 890 610	**115 890 610**	52.09
Total revenue from non-exchange transactions	**537 939 775**	**(5 724 643)**	**532 215 132**	**593 153 342**	**60 938 210**	
Total revenue	**1 197 579 225**	**(30 157 021)**	**1 167 422 204**	**1 064 069 092**	**(103 353 112)**	
Expenditure						
Employee related costs	(280 898 461)	-	**(280 898 461)**	(284 917 726)	**(4 019 265)**	52.08
Remuneration of councillors	(18 056 468)	-	**(18 056 468)**	(17 782 016)	**274 452**	52.08
Depreciation and amortisation	(76 841 623)	25 000 000	**(51 841 623)**	(51 514 504)	**327 119**	52.08
Impairment loss/ Reversal of impairments	-	-	**-**	(7 697 700)	**(7 697 700)**	
Finance costs	(22 293 289)	-	**(22 293 289)**	(105 714 069)	**(83 420 780)**	52.10
Debt Impairment	(157 549 323)	-	**(157 549 323)**	(243 218 408)	**(85 669 085)**	52.26
Bulk purchases	(381 659 541)	-	**(381 659 541)**	(336 781 951)	**44 877 590**	52.11
Contracted Services	(36 350 596)	10 203 475	**(26 147 121)**	(51 000 388)	**(24 853 267)**	52.12
General expenses	(101 876 736)	1 774 940	**(100 101 796)**	(116 168 905)	**(16 067 109)**	52.13
Repairs and maintenance	(57 659 798)	13 245 000	**(44 414 798)**	(15 451 299)	**28 963 499**	52.14
Total expenditure	**(1 133 185 835)**	**50 223 415**	**(1 082 962 420)**	**(1 230 246 966)**	**(147 284 546)**	
Operating deficit	**64 393 390**	**20 066 394**	**84 459 784**	**(166 177 874)**	**(250 637 658)**	
Loss on disposal of assets and liabilities	-	-	**-**	(204 766)	**(204 766)**	52.09
Fair value adjustments	-	-	**-**	97 479 293	**97 479 293**	52.09
Actuarial gains/losses	-	-	**-**	(6 189 829)	**(6 189 829)**	52.09
Inventories (loss)/surplus	-	-	**-**	(6 384)	**(6 384)**	52.09
	-	**-**	**-**	**91 078 314**	**91 078 314**	
Deficit before taxation	**64 393 390**	**20 066 394**	**84 459 784**	**(75 099 560)**	**(159 559 344)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**64 393 390**	**20 066 394**	**84 459 784**	**(75 099 560)**	**(159 559 344)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	253 843 191	18 893 000	**272 736 191**	3 116 339	**(269 619 852)**	52.15
Receivables from non-exchange transactions	26 500 000	-	**26 500 000**	31 765 921	**5 265 921**	52.16
VAT receivable	287 499 999	-	**287 499 999**	268 444 190	**(19 055 809)**	52.08
Receivables from exchange transactions	123 500 001	-	**123 500 001**	182 693 903	**59 193 902**	52.17
Other receivables	-	-	**-**	2 526 885	**2 526 885**	52.09
Cash and cash equivalents	(8 224 815)	39 728 000	**31 503 185**	62 102 449	**30 599 264**	52.18
	683 118 376	**58 621 000**	**741 739 376**	**550 649 687**	**(191 089 689)**	
Non-Current Assets						
Investment property	238 299 893	-	**238 299 893**	285 808 846	**47 508 953**	52.19
Property, plant and equipment	2 460 341 683	(15 864 000)	**2 444 477 683**	1 643 373 628	**(801 104 055)**	52.20
Other financial assets	-	-	**-**	886 889	**886 889**	52.09
	2 698 641 576	**(15 864 000)**	**2 682 777 576**	**1 930 069 363**	**(752 708 213)**	
Total Assets	**3 381 759 952**	**42 757 000**	**3 424 516 952**	**2 480 719 050**	**(943 797 902)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	2 458 496 045	(44 586 978)	**2 413 909 067**	2 597 115 497	**183 206 430**	52.08
Payables from non-exchange transactions	155 198 725	4 000 000	**159 198 725**	-	**(159 198 725)**	52.21
Consumer deposits	5 100 000	-	**5 100 000**	5 146 429	**46 429**	52.08
Employee benefit obligation	-	-	**-**	4 683 110	**4 683 110**	52.09
Unspent conditional grants and receipts	-	-	**-**	28 527 438	**28 527 438**	52.09
Provisions	16 582 492	-	**16 582 492**	-	**(16 582 492)**	52.22
	2 635 377 262	**(40 586 978)**	**2 594 790 284**	**2 635 472 474**	**40 682 190**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	39 335 685	**39 335 685**	52.09
Provisions	-	-	**-**	110 568 150	**110 568 150**	52.22
	-	**-**	**-**	**149 903 835**	**149 903 835**	
Total Liabilities	**2 635 377 262**	**(40 586 978)**	**2 594 790 284**	**2 785 376 309**	**190 586 025**	
Net Assets	**746 382 690**	**83 343 978**	**829 726 668**	**(304 657 259)**	**(1 134 383 927)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	746 382 690	83 343 978	**829 726 668**	(304 657 259)	**(1 134 383 927)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from customers	555 283 187	-	**555 283 187**	317 824 427	**(237 458 760)**	52.01
Government grants and subsidies	410 322 000	-	**410 322 000**	297 885 358	**(112 436 642)**	52.06
Interest income	22 293 000	-	**22 293 000**	10 824 643	**(11 468 357)**	52.04
Other receipts	39 897 909	-	**39 897 909**	1 266 983	**(38 630 926)**	52.03
	1 027 796 096	**-**	**1 027 796 096**	**627 801 411**	**(399 994 685)**	
Payments						
Suppliers and employee costs	(867 865 591)	(44 586 978)	**(912 452 569)**	(533 240 556)	**379 212 013**	52.23
Net cash flows from operating activities	**159 930 505**	**(44 586 978)**	**115 343 527**	**94 560 855**	**(20 782 672)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(153 235 050)	35 728 000	**(117 507 050)**	(75 202 152)	**42 304 898**	52.24
Cash flows from financing activities						
Increase (decrease) in consumer deposits	20 214	-	**20 214**	-	**(20 214)**	52.25
Employee benefit obligation payments	-	-	**-**	(3 228 040)	**(3 228 040)**	52.09
Net cash flows from financing activities	**20 214**	**-**	**20 214**	**(3 228 040)**	**(3 248 254)**	
Net increase/(decrease) in cash and cash equivalents	6 715 669	(8 858 978)	**(2 143 309)**	16 130 663	**18 273 972**	
Cash and cash equivalents at the beginning of the year	3 494 584	-	**3 494 584**	45 971 786	**42 477 202**	
Cash and cash equivalents at the end of the year	**10 210 253**	**(8 858 978)**	**1 351 275**	**62 102 449**	**60 751 174**	

Significant Accounting Policies

1. Significant accounting polices

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Significant judgements include:

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 goodwill and tangible assets.

Value in use of cash generating assets

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

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions for landfill sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:
- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure assets' useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term.

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

Effective interest rate

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

Allowance for doubtful debts

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

IGRAP 18 Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par .41):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par.40):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land parcels where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. These land parcels are not recognised by the municipality.

Interim estimates

An interim estimate is when the municipality raises an estimated consumption based on your previous average consumption. The season in which the estimated bill is raised is also considered. August to April is used as summer months (9 is used) and May to July are used as winter months (3 is used). For the calculation of an interim, the 12 month’s actual consumptions will be used, split into seasons and the average calculated. The month in which an estimate is calculated will influence the calculations of interims between the different seasonal months. For Example, winter electricity’s average, should be more than the summer average. Estimations are only billed when we do not have an actual reading on the system and these interims will automatically be reversed on the system once readings are received

Significant Accounting Policies

1.4 Investment property

Initial recognition

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.

Subsequent Measurement - 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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.5 Property, plant and equipment

Initial recognition

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

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Subsequent measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component at cost.
Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and impairment
Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Airport	Straight-line	15 to 20 years
Plant and machinery	Straight-line	05 to 15 years
Furniture and fittings	Straight-line	05 to 10 years
Motor vehicles	Straight-line	03 to 20 years
Office equipment	Straight-line	03 to 06 years
IT equipment	Straight-line	03 to 06 years
Infrastructure	Straight-line	03 to 100 years

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

Derecognition

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 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Financial instruments

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:
- cash;
- a residual interest of another entity; or

1.6 Financial instruments (continued)

- 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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.6 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumber deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, referenced to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

1.6 Financial instruments (continued)

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instruments that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

Significant Accounting Policies

1.6 Financial instruments (continued)

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

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

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

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Significant Accounting Policies

1.6 Financial instruments (continued)

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.7 Statutory receivables

Identification

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Significant Accounting Policies

1.7 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 Tax

Value Added Tax (VAT)

Significant Accounting Policies

1.8 Tax (continued)

The municipality accounts for VAT on accrual basis on the Finanial Statements and VAT return/reclaimable on 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.

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.10 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.

Significant Accounting Policies

1.10 Inventories (continued)

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.11 Impairment of cash-generating assets

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

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

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

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

Designation

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

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

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

Significant Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

Discount rate

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

Significant Accounting Policies

1.12 Impairment of non-cash-generating assets

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

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

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.

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.

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

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.

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.

1.13 Accumulated Surplus / (Deficit)

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

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

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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.

1.14 Employee benefits (continued)

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 and salaries;
- 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.

1.14 Employee benefits (continued)

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

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid

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

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

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

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

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

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

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1.14 Employee benefits (continued)

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

Significant Accounting Policies

1.14 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimburse is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Other post retirement obligations

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 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.

1.15 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 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 deficits.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and non-occurrence
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 41.

Significant Accounting Policies

1.15 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 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;

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.

1.16 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.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

An estimated bill is when the municipality raises an estimated consumption based on your previous average consumption. The season in which the estimated bill is raised is also considered. August to April is used as summer months (9 is used) and May to July are used as winter months (3 is used). For the calculation of an interim, the 12 month's actual consumptions will be used, split into seasons and the average calculated. The month in which an estimate is calculated will influence the calculations of interims between the different seasonal months. For Example, winter electricity's average, should be more than the summer average. Estimations are only billed when we do not have an actual reading on the system and these interims will automatically be reversed on the system once readings are received

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.

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.

1.18 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.

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.

Significant Accounting Policies

1.18 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.

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

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Taxes / Property rates

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.

Transfers

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

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

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

Significant Accounting Policies

1.20 Borrowing costs

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

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

1.21 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

The accrual basis is used to account for expenditure transactions meaning expenditure transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

When the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework for the Preparation and Presentation of Financial Statements*

Expenses are not offset unless required or permitted by a Standard of GRAP*.*

Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and

Expenses relating to a provision that is recognised in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement

All items of revenue and expense recognised in a period is included in surplus or deficit unless a Standard of GRAP requires or permits otherwise

Normally, all items of revenue and expense recognised in a period are included in surplus or deficit. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from surplus or deficit for the current period. GRAP 3 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.

Because the effects of an entity's various activities, transactions, and other events differ in terms of their impact on its ability to meet its service delivery obligations, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the statement of financial performance, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of performance. Factors to be considered include materiality and the nature and function of the components of revenue and expenses.

When items of revenue and expense are material, their nature and amount shall be disclosed separately.

Circumstances that would give rise to the separate disclosure of items of revenue and expense include:
a) the write-downs of inventories to net realisable value or current replacement cost or property, plant and equipment to recoverable amount or recoverable service amount, as well as the reversals of such write-downs;
b) restructurings of the activities of an entity and the reversals of any provisions for the costs of restructuring;
c) expenditure incurred on assets to repair and maintain them;
d) disposals of items of property, plant and equipment;
e) disposals of investments;
f) discontinued operations;
g) litigation settlements;
h) other reversals of provisions; and
i) the difference between the assets acquired and liabilities assumed and the consideration transferred to an acquiree (if any) in a transfer of functions between entities not under common control.

The municipality presents expenses according to the function of expense method. Expenses are aggregated in the statement of financial performance according to the purpose for which they were made

1.21 Expenditure (continued)

Bulk purchases

Bulk purchases provide for water and electricity purchases in bulk for distribution to consumers.

General expenditure

General expenditure includes day-to-day expenses and operational expenses such as consumables, chemicals and cleaning amongst others.

Contracted services

Contracted services provide for outsourced services, consultants and professional services and contractors. This includes transactions such as expenses due temporary incapacity, the outsourcing of services to save costs, specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis and services that are not the core business of the municipality.

Repairs and maintenance

Repairs and maintenance include costs incurred in the maintaining and repairing of assets so long as the transaction is not of a capital nature.

Employee related costs

This item includes all payments to employees which will include separate disclosure for the section 57 senior management. Payments will include basic salary, bonus, contributions and allowances.

Remuneration of councillors

This includes the basic salary, allowances and contributions of full-time councillors consisting of executive mayor, speaker, mayoral committee and other councillors.

Finance cost

This includes transactions such as interest and penalties

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:
(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;
(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(iv) The municipality’s supply chain management policy, and any by-laws giving effect to that policy in the current financial year.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 municipality’s supply chain management policy.

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

1.26 Segment information

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

Significant Accounting Policies

1.26 Segment information (continued)

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

Measurement

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

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

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01 Jul 2023 to 30 Jun 2024.

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

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

1.28 Related parties

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

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

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

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

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

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

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

Significant Accounting Policies

1.29 Events after reporting date

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

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

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

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Consumer deposits

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

1.31 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.

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 this interpretation is 01 April 2023.

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

The impact of the interpretation is not material.

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).

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 is 01 April 2023.

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

The impact of the revisions is not material.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

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).

The effective date of these revisions is 01 April 2023.

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

The impact of the revisions is not material.

GRAP 2020: Improvements to the Standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control
- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost
- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

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

The impact of the improvements is not material.

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 01 April 2023.

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

The impact of the standard is not material.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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 01 April 2023.

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

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2024 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity’s operations is rare, and only in the case of dissolution without any continuation of the entity’s operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity’s functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity’s functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity’s financial statements on a going concern basis remains appropriate.

2. New standards and interpretations (continued)

Disclosure on going concern

The Board’s project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

GRAP 104 (as revised): Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 rules 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 01 April 2025

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2024 or later periods:

GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as “useful additional information that may be disclosed” as opposed to “encouraged disclosures”.

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

Update the definition of “significant influence” to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.

- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.

- Amendments to clarify the fees that an entity includes when it applies the “10 percent” test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

The effective date of these improvements have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

GRAP 105 Transfer of Functions Between Entities Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

2. New standards and interpretations (continued)

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not “label” the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer’s prior year information, the acquirer’s comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an acquisition versus a transfer of functions not under common control

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 106 does not have an application guidance section as all the principles are included in the Standard itself.

2. New standards and interpretations (continued)

Assessing control - GRAP 106 is not explicit that the principles in GRAP 35 should be applied in assessing control.

Identifying acquisition date, assets, and liabilities - GRAP 106 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer and the acquisition date. GRAP 106 also includes guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement. IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity. GRAP 106 require that the terms and conditions in the binding arrangement should be considered to determine the acquisition date, and the assets and liabilities to be transferred. IPSAS 40 is not as specific that a binding arrangement needs to be in place to determine the acquisition date. To identify the assets and liabilities to be transferred or assumed, IPSAS 40 merely refers to “must be what the acquirer and acquiree has exchanged”.

Non-controlling interests - Additional guidance is included in GRAP 106 on the measurement of a noncontrolling interest in an acquiree.

Subsequent measurement - For the subsequent measurement of a reacquired right, IPSAS 40 distinguishes between a right with a finite and indefinite period. A similar distinction is not made in GRAP 106.

Calculation of the excess in the acquisition - GRAP 106 requires that the excess in transfer of functions be recognised in surplus and deficit. IPSAS 40 requires that the excess be recognised as goodwill. As a result, IPSAS 40 includes additional guidance on the recognition and measurement of goodwill, which is not included in GRAP 106.

Acquisition achieved in stages - Both Standards include similar guidance on the accounting for an acquisition achieved in stages, except for the treatment of the resulting gain or loss. IPSAS 40 requires that the gain or loss be recognised in surplus or deficit or in net assets/equity, whereas GRAP 106 requires it to be recognised in surplus or deficit only.

Measurement period - Both IPSAS 40 and GRAP 106 allow for a measurement period if the initial accounting for the acquisition is incomplete by the end of the reporting period, in which the acquisition occurs. In IPSAS 40 the measurement period should not exceed one year from the acquisition date. GRAP 106 allows two years. The increase or decrease in the provisional amount is recognised in goodwill in IPSAS 40, while the provisional amount is adjusted against surplus or deficit in GRAP 106.

Pre-existing relationship - Both Standards include similar guidance on determining what is part of the acquisition transaction if there was a pre-existing relationship between the acquirer and the acquiree. However, IPSAS 40 includes an additional principle to explain that a transaction entered into before the acquisition, by or on behalf of the acquirer or primarily for the benefit of the acquirer, is likely to be a separate transaction. IPSAS 40 also includes additional guidance of factors to be considered to determine if a transaction is part of the exchange of the acquired operation.

There are certain guidance included in IPSAS40 but not in GRAP106, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The Municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

GRAP 107 Mergers

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

2. New standards and interpretations (continued)

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer’s prior year information, the acquirer’s comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Mergers issued in 2010.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

Paragraph .21 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4) requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph .22 of GRAP 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with the Standards of GRAP.

When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.

A question arose asking how to determine “the date of the transaction” applying paragraphs .21 and .22 of GRAP 4 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was further noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, it was decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

Issue

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

Applying paragraphs .21 and .22 of GRAP 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The effective date of this interpretation is 01 April 2025.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

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

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	285 808 846	-	285 808 846	188 279 925	-	188 279 925

Reconciliation of investment property - 2024

	Opening balance	Other changes, movements	Fair value adjustments	Total
Investment property	188 279 925	96 076 629	1 452 292	285 808 846

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	184 769 308	3 510 617	188 279 925

Pledged as security

No investment property's carrying value was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Investment property (continued)

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

Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by West Rand Consulting (Pty) Ltd. Mr. P.H. Venter was the valuer at West Rand Consulting (Pty) Ltd performing the valuations. Mr. P.H. Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession (registration number 7428), a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

Prior year revaluation was performed from 2021 to 2023.

These assumptions are based on current market conditions

Refer to note 43 for prior period corrections made to investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	116 148	95 444

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 856 619	-	19 856 619	20 052 053	-	20 052 053
Buildings	130 637 124	(45 185 255)	85 451 869	130 553 739	(42 582 675)	87 971 064
Plant and machinery	14 142 354	(6 513 804)	7 628 550	12 616 524	(5 711 064)	6 905 460
Furniture and fittings	6 603 800	(5 258 091)	1 345 709	6 574 300	(4 891 774)	1 682 526
Motor vehicles	22 356 489	(11 727 031)	10 629 458	22 356 489	(9 763 148)	12 593 341
Computer equipment	7 961 849	(5 404 440)	2 557 409	7 540 638	(4 931 726)	2 608 912
Road network	896 393 545	(313 113 093)	583 280 452	896 393 545	(288 219 637)	608 173 908
Community	137 434 350	(47 694 412)	89 739 938	137 434 351	(44 967 932)	92 466 419
Landfill sites	43 912 448	(26 408 501)	17 503 947	47 328 868	(25 097 110)	22 231 758
Solid waste disposal	3 540 219	(698 888)	2 841 331	3 540 219	(582 272)	2 957 947
Electricity network	189 296 650	(56 760 372)	132 536 278	184 874 221	(52 041 212)	132 833 009
Wastewater network	411 582 615	(106 994 781)	304 587 834	401 447 680	(97 044 828)	304 402 852
Water network	225 255 474	(62 833 813)	162 421 661	197 693 093	(53 638 578)	144 054 515
Work in progress	222 992 573	-	222 992 573	185 426 450	-	185 426 450
Total	**2 331 966 109**	**(688 592 481)**	**1 643 373 628**	**2 253 832 170**	**(629 471 956)**	**1 624 360 214**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	20 052 053	-	-	-	(195 434)	-	-	-	19 856 619
Buildings	87 971 064	83 385	-	-	-	(2 442 459)	(160 121)	-	85 451 869
Plant and machinery	6 905 460	1 525 830	-	-	-	(838 192)	(14 277)	49 729	7 628 550
Furniture and fittings	1 682 526	29 500	-	-	-	(411 048)	(12 321)	57 052	1 345 709
Motor vehicles	12 593 341	-	-	-	-	(1 809 139)	(173 741)	18 997	10 629 458
Computer equipment	2 608 912	421 211	-	-	-	(485 156)	(16 892)	29 334	2 557 409
Road network	608 173 908	-	-	-	-	(22 988 190)	(2 297 500)	392 234	583 280 452
Community	92 466 419	-	-	-	-	(2 730 711)	-	4 230	89 739 938
Landfill site	22 231 758	-	-	-	(3 416 420)	(1 311 391)	-	-	17 503 947
Solid waste disposal	2 957 947	-	-	-	-	(116 616)	-	-	2 841 331
Electricity network	132 833 009	1 745 297	(204 766)	2 973 576	-	(4 083 788)	(727 050)	-	132 536 278
Wastewater network	304 402 852	1 835 793	-	8 299 143	-	(8 942 417)	(2 011 510)	1 003 973	304 587 834
Water network	144 054 515	6 194 913	-	21 367 468	-	(5 355 397)	(4 188 318)	348 480	162 421 661
Work in progress	185 426 450	71 352 160	-	(33 786 037)	-	-	-	-	222 992 573
	1 624 360 214	**83 188 089**	**(204 766)**	**(1 145 850)**	**(3 611 854)**	**(51 514 504)**	**(9 601 730)**	**1 904 029**	**1 643 373 628**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	20 052 053	-	-	-	-	-	-	-	20 052 053
Buildings	94 215 418	333 050	-	1 114 543	-	(2 550 430)	(5 141 517)	-	87 971 064
Plant and machinery	6 130 295	1 479 533	-	-	-	(635 314)	(69 054)	-	6 905 460
Furniture and fittings	1 653 543	325 576	-	-	-	(296 593)	-	-	1 682 526
Motor vehicles	8 728 397	5 730 300	(429 455)	-	-	(1 435 901)	-	-	12 593 341
Computer equipment	2 098 659	889 179	-	-	-	(378 926)	-	-	2 608 912
Road network	636 427 110	-	-	286 791	-	(23 150 244)	(5 414 686)	24 937	608 173 908
Community	97 993 558	-	-	252 484	-	(2 824 372)	(2 956 071)	820	92 466 419
Landfill site	24 161 075	-	-	-	(455 831)	(1 473 486)	-	-	22 231 758
Solid waste disposal	1 939 850	-	-	1 155 316	-	(100 420)	(36 799)	-	2 957 947
Electricity network	135 360 456	2 959 159	-	-	-	(4 045 972)	(1 571 794)	131 160	132 833 009
Wastewater network	315 550 225	397 350	-	-	-	(9 000 673)	(2 544 050)	-	304 402 852
Water network	146 289 140	6 432 521	-	699 298	-	(5 077 249)	(4 290 527)	1 332	144 054 515
Work in progress	155 189 796	33 745 086	-	(3 508 432)	-	-	-	-	185 426 450
	1 645 789 575	**52 291 754**	**(429 455)**	**-**	**(455 831)**	**(50 969 580)**	**(22 024 498)**	**158 249**	**1 624 360 214**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	183 822 104	1 604 347	185 426 451
Additions/capital expenditure	71 352 160	-	71 352 160
Transferred to repairs and maintenance	(1 145 850)	-	(1 145 850)
Transferred to completed items	(32 640 187)	-	(32 640 187)
	221 388 227	**1 604 347**	**222 992 574**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	152 380 808	2 808 987	155 189 795
Additions/capital expenditure	33 745 088	-	33 745 088
Transferred to completed items	(2 303 791)	(1 204 641)	(3 508 432)
	183 822 105	**1 604 346**	**185 426 451**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	15 451 299	13 916 671

Refer to note 43 for prior period corrections made to property, plant and equipment

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.

Pledged as security

There is no property, plant and equipment pledged as security for overdraft facilities.

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Land	5 363 831	5 363 831
Buildings	1 604 347	1 604 347
Leasehold property	23 211 460	15 034 213
Plant and machinery	1 848 461	9 963 630
Furniture and fixtures	190 964 475	153 460 430
	222 992 574	**185 426 451**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Construction of 3km Pipeline and Elevated tower in Heilbron/Phiritona	13 462 529	9 639 543
The contract with the main contractor was terminated and subsequently the remainder of the work was ceeded to a subcontractor.		
Heilbron/Sandersville Pedestrian Bridge	4 547 188	4 547 188
The contract with the main contractor was terminated		
Construction of sewer line in Heilbron	1 742 300	1 562 050
The contract with the main contractor was terminated		
Kwakatsi Township secondary bulk water pipeline	3 207 755	3 207 755
Delays in the delivery of material for the construction of an elevated water tank led to the delays experienced on site.		
Heilbron/Sandersville Low Level Bridge	10 487 024	10 487 024
The contract with the main contractor was terminated		
	33 446 796	**29 443 560**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Upgrading of Edenville Sports Complex	1 604 347	1 604 347
There is no further budget to complete the project. The project will have to go back to council to obtain further budget in order to complete the project		
Refurbishment of the Koppies WTW and Construction of Clear Water Pumping Station	7 124 344	7 124 344
The previous contractor’s contract was terminated before the project was complete. A new contractor was appointed on the 19th of August 2024 to complete the project, once the pipeline is complete the pumps, motors and control panel can be installed.		
Vredefort - Refurbishment of Water Treatment Works	20 700 703	20 700 703
There is an active dispute between the municipality and Thewo Engineers as the work done was not on the necessary standard. Due to professional indemnity issues the municipality cannot finalize the work internally.		
New Koppies Substation (2*MVA)	5 363 831	5 363 831
Eskom requires a new registration of the project due to a time frame issue. The municipality will have to obtain funds in order to do a re-application for the project. DME wants a completely new application for the project for funding purposes.		
	34 793 225	**34 793 225**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Other financial assets

Designated at fair value		
Sanlam shares 2452 shares trading @ R80.92 (2023: R58.35)	198 416	143 075
At amortised cost		
Heilbron Sanlam policy Policy number - 040571573X1	688 473	598 008
Total other financial assets	**886 889**	**741 083**

Non-current assets		
Designated at fair value	198 416	143 075
At amortised cost	688 473	598 008
	886 889	**741 083**

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

Level 1		
Class 2	198 416	143 075

Renegotiated terms

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

6. Other receivables

Other receivables	2 526 885	1 537 604

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Inventories

Water for distribution	207 615	100 044
Stores and material	2 908 724	3 118 419
	3 116 339	**3 218 463**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities.

8. Receivables from non-exchange transactions

Property rates	312 665 366	253 941 078
Allowance for impairment - Property rates	(280 899 445)	(225 185 960)
	31 765 921	**28 755 118**

Receivables from non-exchange transactions pledged as security

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

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:

Fair value of receivables from non-exchange transactions

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 20 322 239 (2023: R 18 400 249) were past due but not impaired.

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

1 month past due but not impaired	856 318	805 432
2 months past due but not impaired	3 263 353	3 329 320
3 months and more past due but not impaired	16 202 568	14 265 497

Rates aging		
Current (0 - 30 days)	13 661 278	9 168 468
31 - 60 days	7 542 480	6 529 502
61 - 90 days	6 730 763	5 925 235
91 - 120 days	6 464 932	5 518 077
121 - 365 days	45 281 956	37 439 549
> 365 days	232 983 958	189 360 247
Less: Impairment	(280 899 445)	(225 185 960)
	31 765 922	**28 755 118**

Figures in Rand	2024	2023

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R 280 899 445 (2023: R 225 185 960) were impaired and provided for.

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.

9. Receivables from exchange transactions

Gross balances		
Consumer debtors - Electricity	227 079 011	183 876 262
Consumer debtors - Water	386 638 278	296 240 919
Consumer debtors - Waste water	267 233 721	210 713 577
Consumer debtors - Waste	195 788 464	152 629 316
Consumer debtors - Sundry receivables	6 602 689	6 051 461
	1 083 342 163	**849 511 535**
Less: Allowance for impairment		
Consumer debtors - Electricity	(145 927 317)	(123 685 372)
Consumer debtors - Water	(370 939 711)	(281 584 942)
Consumer debtors - Waste water	(206 037 578)	(164 642 922)
Consumer debtors - Waste	(171 614 140)	(133 918 808)
Consumer debtors - Sundry receivables	(6 129 514)	(5 319 434)
	(900 648 260)	**(709 151 478)**
Net balance		
Consumer debtors - Electricity	81 151 694	60 190 890
Consumer debtors - Water	15 698 567	14 655 977
Consumer debtors - Waste water	61 196 143	46 070 655
Consumer debtors - Waste	24 174 324	18 710 508
Consumer debtors - Sundry receivables	473 175	732 027
	182 693 903	**140 360 057**
Electricity		
Current (0 -30 days)	21 087 237	17 851 850
31 - 60 days	7 261 393	5 152 962
61 - 90 days	5 571 528	4 070 522
91 - 120 days	4 324 819	3 445 311
121 - 365 days	42 261 213	26 740 824
> 365 days	146 572 821	126 614 793
Less: Impairment	(145 927 317)	(123 685 372)
	81 151 694	**60 190 890**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from exchange transactions (continued)

Water

	2024	2023
Current (0 -30 days)	13 110 768	12 297 372
31 - 60 days	8 772 065	6 794 869
61 - 90 days	9 331 631	6 750 607
91 - 120 days	10 003 949	5 915 863
121 - 365 days	67 199 089	45 073 780
> 365 days	278 220 776	219 408 428
Less: Impairment	(370 939 711)	(281 584 942)
	15 698 567	**14 655 977**

Waste water

	2024	2023
Current (0 -30 days)	6 681 701	6 059 760
31 - 60 days	6 056 616	5 275 618
61 - 90 days	5 885 787	5 135 475
91 - 120 days	5 754 136	5 021 362
121 - 365 days	43 083 062	35 968 062
> 365 days	199 772 419	153 253 300
Less: Impairment	(206 037 578)	(164 642 922)
	61 196 143	**46 070 655**

Waste

	2024	2023
Current (0 -30 days)	4 875 626	4 459 060
31 - 60 days	4 397 310	3 819 075
61 - 90 days	4 271 721	3 688 570
91 - 120 days	4 184 531	3 592 397
121 - 365 days	31 554 006	26 612 034
> 365 days	146 505 270	110 458 180
Less: Impairment	(171 614 140)	(133 918 808)
	24 174 324	**18 710 508**

Sundry receivables

	2024	2023
Current (0 -30 days)	68 909	143 652
31 - 60 days	58 261	58 067
61 - 90 days	55 595	50 801
91 - 120 days	54 872	389 284
121 - 365 days	451 060	394 795
> 365 days	5 913 992	5 014 862
Less: Impairment	(6 129 514)	(5 319 434)
	473 175	**732 027**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	21 683 228	22 517 420
31 - 60 days	18 071 807	15 620 882
61 - 90 days	17 715 886	15 006 954
91 days plus	794 767 328	634 442 398
	852 238 249	687 587 654
Less: Allowance for impairment	(832 643 088)	(669 266 310)
	19 595 161	**18 321 344**
Industrial/ commercial		
Current (0 -30 days)	13 839 255	10 454 162
31 - 60 days	7 410 316	5 817 251
61 - 90 days	5 440 786	4 660 661
91 days plus	168 301 589	137 488 409
	194 991 946	158 420 483
Less: Allowance for impairment	(170 424 799)	(139 098 740)
	24 567 147	**19 321 743**
Farm and agriculture		
Current (0 -30 days)	6 662 772	2 893 173
31 - 60 days	2 804 563	2 526 390
61 - 90 days	2 630 976	2 466 355
91 days plus	134 305 505	112 888 377
	146 403 816	120 774 295
Less: Allowance for impairment	(144 209 304)	(119 280 603)
	2 194 512	**1 493 692**
Indigents		
Current (0 -30 days)	2 607 264	1 723 306
31 - 60 days	1 767 867	13 569
61 - 90 days	2 179 416	5 142
91 days plus	27 715 967	4 949 768
	34 270 514	6 691 785
Less: Allowance for impairment	(34 270 514)	(6 691 785)
	-	-
National and Provincial Government		
Current (0 -30 days)	4 709 898	3 962 441
31 - 60 days	4 033 571	3 652 000
61 - 90 days	3 879 961	3 482 098
91 days plus	145 496 471	110 452 195
	158 119 901	**121 548 734**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(934 337 441)	(819 181 372)
Contributions to allowance	(243 218 408)	(202 115 782)
VAT provision on impairment	(16 759 683)	(6 355 687)
Debt impairment written off against the allowance	12 767 825	93 315 401
	(1 181 547 707)	**(934 337 440)**

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of consumer debtors

The credit quality of consumer debtors 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:

Renegotiated terms:

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

Fair value of consumer debtors

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

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 130 110 337 (2023: R 96 638 352) were past due but not impaired.

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

1 month past due but not impaired	4 465 771	4 257 607
2 months past due but not impaired	34 602 878	25 004 141
3 months and more past due but not impaired	91 041 688	67 376 604

Receivables from exchange transactions impaired

As of 30 June 2024, receivables from exchange transactions of of R 900 648 260 (2023: R 709 151 478) were impaired and provided for.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. VAT receivable

VAT	268 444 190	235 742 256

The municipality accounts for VAT on the accrual and cash basis. The accrual basis relates to transations that are yet to be settled, and the cash basis relates to amounts payable or refundable to SARS

VAT consists of:

VAT receivable (accrual basis)	274 880 466	237 029 580
VAT payable to SARS (cash basis)	(6 436 276)	(1 287 324)
	268 444 190	**235 742 256**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	51 881	44 035
Bank balances	(195 356)	923 463
Short-term deposits	62 245 924	45 004 288
	62 102 449	**45 971 786**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Cheque account - 405-2707-733	615 781	531 463	789 863	(195 356)	923 463	789 863
ABSA Bank - Call account - 925-3832-988	37 939 925	1 892 149	3 053 762	37 939 925	1 892 149	3 053 762
ABSA Bank - Call account - 925-3833-502	6 410 753	21 178 093	4 295	6 410 753	21 178 093	4 295
ABSA Bank - Call account - 925-3833-764	5 292 200	9 015 769	12 611	5 292 200	9 015 769	12 611
ABSA Bank - Call account - 925-3835-643	8 101 046	1 187	1 143	8 101 046	1 187	1 143
ABSA Bank - Call account - 928-6271-086	4 501 000	12 644 789	1 059 902	4 501 000	12 644 789	1 059 902
ABSA Bank - Call account - 928-6271-167	1 000	272 301	257 623	1 000	272 301	257 623
Total	**62 861 705**	**45 535 751**	**5 179 199**	**62 050 568**	**45 927 751**	**5 179 199**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Payables from exchange transactions

Trade payables	90 171 335	101 089 966
Payments received in advanced	54 939 338	45 878 067
Accrued leave pay	24 852 706	23 532 115
Accrued bonus	5 979 020	5 724 391
Deposits received	195 632	195 632
Other payables	8 732 411	7 171 953
Eskom	2 145 416 251	1 825 076 605
Bulk water supply	206 379 002	221 958 164
Salary suspense account	33 012 245	18 828 346
Unallocated receipts	5 182	5 182
Retention	14 105 814	9 174 847
National Treasury - Conditional grants payable	13 326 561	13 326 561
	2 597 115 497	**2 271 961 829**

13. Consumer deposits

Electricity	5 146 429	4 885 833

14. 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	27 623 069	20 715 922
Present value of the long service award benefit	16 395 726	15 530 114
	44 018 795	**36 246 036**

Non-current liabilities	39 335 685	32 626 054
Current liabilities	4 683 110	3 619 982
	44 018 795	**36 246 036**

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

Opening balance	36 246 036	40 732 947
Net expense recognised in the statement of financial performance	7 772 759	(4 486 911)
	44 018 795	**36 246 036**

Net expense recognised in the statement of financial performance

Current service cost	1 075 193	1 340 040
Interest cost	3 735 777	4 182 898
Acturial (gains) losses	6 189 829	(4 303 863)
Contributions made	(3 228 040)	(5 705 986)
	7 772 759	**(4 486 911)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service award	(687 715)	(1 904 214)
Actuarial (gains) losses – Medical aid	6 877 544	(2 399 649)
	6 189 829	**(4 303 863)**

14. Employee benefit obligations (continued)

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed.

Long Service benefits

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 25 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

	2024	2023
CPI (Medical aid)	5,64 %	5,69 %
CPI (Long service award)	5,16 %	5,69 %
Discount rate (Medical aid)	10,89 %	11,23 %
Discount rate (Long service award)	10,15 %	10,33 %
Health care cost inflation (Medical aid)	7,14 %	7,19 %
Salary increase rate (Long service awards)	6,16 %	6,69 %
Net discount rate (Medical aid)	3,50 %	3,77 %
Net discount rate (Long service awards)	3,76 %	3,41 %
Continuation percentage	100,00 %	100,00 %
Average retirement age	63	63

14. Employee benefit obligations (continued)

Other assumptions

The effect of a one percent increase and decrease in health care cost inflation rate and the salary increase rate would have the following effects:

2024	**One percentage point increase**	**One percentage point decrease**
Employers accrued liability (Long service awards)	17 308 173	15 553 081
Employer's current service cost (Long service awards)	1 111 552	992 290
Employer's interest cost (Long service awards)	1 668 458	1 490 289
Employer's accrued liability (Medical aid)	29 755 896	25 713 737
Service cost (Medical aid)	79 008	63 796
Interest cost (Medical aid)	3 080 344	2 641 556

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

`	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	44 018 795	36 246 036	40 732 947	37 293 653	33 891 040

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 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 that are 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.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information is required for proper defined benefits 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	7 772 759	(4 486 911)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	5 262 543	26 096 233
Regional Infrastructure Grant (RBIG)	-	27 358 286
Water Services Infrastructure Grant (WSIG)	13 514 895	5 414 848
Municipal Support Grant (MSG)	5 250 000	5 250 000
Integrated National Electrification Program (INEP)	4 500 000	15 000 000
	28 527 438	**79 119 367**

Movement during the year

Balance at the beginning of the year	79 119 367	71 799 442
Additions during the year	297 885 358	322 579 523
Income recognition during the year	(348 477 287)	(315 259 598)
	28 527 438	**79 119 367**

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 25 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	106 311 140	(3 416 420)	7 673 430	110 568 150

Reconciliation of provisions - 2023

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	99 792 960	(455 831)	6 974 011	106 311 140

16. Provisions (continued)

Environmental rehabilitation provision

Ngwathe Local Municipality consists of five (5) towns (Parys, Heilbron, Vredefort, Edenville and Koppies). Heilbron, Vredefort, Edenville and Koppies are located in an area of agricultural significance and Parys is the central business district of Ngwathe Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Key assumptions used:

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2024 was 12.40% p.a. The consumer price inflation of 5.10% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.

Discount rate (D) 12.40%
Consumer price inflation (C) 5.10%
Net discount rate 6.94%

Site life calculation:

Parys Landfill Site:

The landfill site is situated approximately 480 meters from Parys town. Parys is a town in the Free State, and it is situated on the banks of the Vaal River. The Parys landfill site is responsible for accommodating the solid waste of Parys Golf and Country Estate, Parys SP and Vaal de Grace Golf Estate. The total population of the mentioned towns accumulates to 9 519 in 2024. (Census 2011 adjusted to 2024 at 1.38% annually)

The site is accessed by a gravel road and its coordinates are 27.508718°E 26.9119039°S. The estimated total footprint of the item is approximately 82 000 m2 and the fully utilized area is approximately 31 716.06 m2. A total of 47 800 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 191 141.94 m3...

The remaining life is calculated at 29 years, up to 2053 based on the annual population growth and available air space

Heilbron Landfill site:

The landfill site is situated approximately 1.3 km from Sandersville, which is the township of Heilbron. Heilbron is a town in the Free State, and it is situated approximately 50.9 km from Koppies town. The Heilbron landfill site is responsible for accommodating the solid waste of Heilbron SP, Sandersville SP and Phiritona SP. The total population of the mentioned towns accumulates to 32 324 in 2024. (Census 2011 adjusted to 2024 at 1.38% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.269488°S 27.958318°E. The estimated total footprint of the item is approximately 160 500 m2 and the fully utilized area is approximately 85 900 m2. A total 73 400 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 96 771.02 m3.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions (continued)

The remaining life is calculated at 6 years, up to 2030 based on the annual population growth and available air space.

Vredefort Landfill site:

The landfill site is situated approximately 800 meters from Vredefort town. Vredefort is a town in the Free State, and it is situated approximately 16.6 km from Parys. The Vredefort landfill site is responsible for accommodating the solid waste of Vredefort SP and Mokwallo which is the township of Vredefort. The total population of the mentioned towns accumulates to 17 242 in 2024. (Census 2011 adjusted to 2024 at 1.38% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.000377°S 27.353161°E. The estimated total footprint of the item is approximately 80 000 m2 and the fully utilized area is approximately 27 600 m2. A total 46 200 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 32 508.95 m3.

The remaining life is calculated at 14 years, up to 2038 based on the annual population growth and available air space.

Edenville Landfill site:

The landfill site is situated approximately 410 meters from Edenville town. Edenville is a town in the Free State, and it is situated approximately 51.9 km from Koppies. The Edenville landfill site is responsible for accommodating the solid waste of Edenville SP and Ngwathe SP which is the township of Edenville. The total population of the mentioned towns accumulates to 7 423 in 2024. (Census 2011 adjusted to 2024 at 1.38% annually).

The site is accessed by a gravel road which leads to Edenville town, and its coordinates are 27.562892°S 27.672590°E. The estimated total footprint of the item is approximately 47 550 m2. A total of 10 334.08 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 790.22 m3.

The remaining life is calculated at 35 years, up to 2059 based on the annual population growth and available air space.

Koppies Landfill site:

The landfill site is situated approximately 1 482 meters from Koppies town. Koppies is a town in the Free State, and it is situated approximately 51.9 km from Edenville. The Koppies landfill site is responsible for accommodating the solid waste of Koppies SP and Kwakwatsi SP which is the township of Koppies. The total population of the mentioned towns accumulates to 16 279 in 2024. (Census 2011 adjusted to 2024 at 1.38% annually)..

The site is accessed by a gravel road which links with the R82 asphalt road, and its coordinates are 27.241007°S 27.552804°E. The estimated total footprint of the item is approximately 162 000 m2 and the fully utilized area is approximately 16 200 m2. A total 12 700 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 1 755.13 m3.

The remaining life is calculated at 47 years, up to 2071 based on the annual population growth and available air space.

17. Revenue

	2024	2023
Service charges	394 316 380	372 355 358
Rental of facilities and equipment	116 148	95 444
Other income	2 108 232	3 443 463
Interest received from exchange transactions	74 374 990	53 935 321
Dividends received	-	7 062
Property rates	103 832 293	96 968 756
Interest received from non-exchange transactions	24 805 120	18 249 725
Government grants and subsidies	348 477 287	301 933 037
Fines, penalties and forfeits	148 032	41 733
Debt waived	115 890 610	-
	1 064 069 092	**847 029 899**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	394 316 380	372 355 358
Rental of facilities and equipment	116 148	95 444
Other income	2 108 232	3 443 463
Interest received from exchange transactions	74 374 990	53 935 321
Dividends received	-	7 062
	470 915 750	**429 836 648**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	103 832 293	96 968 756
Transfer revenue		
Government grants and subsidies	348 477 287	301 933 037
Interest received from non-exchange transactions	24 805 120	18 249 725
Fines, penalties and forfeits	148 032	41 733
Debt waived	115 890 610	-
	593 153 342	**417 193 251**

18. Service charges

Sale of electricity	221 997 806	209 132 550
Sale of water	74 687 746	66 816 193
Sewerage and sanitation charges	57 004 077	56 397 243
Refuse removal	40 626 751	40 009 372
	394 316 380	**372 355 358**

19. Rental of facilities and equipment

Premises		
Buildings and housing - entrance fees	16 970	864
Venue hire	26 999	26 103
Camps	8 528	3 228
Buildings and housing - admin fees	63 651	65 249
	116 148	**95 444**

20. Other income

Administration fees	2 648	-
Building plans and inspections	177 621	158 586
Clearance certificates	51 963	125 809
Reconnection / connection fees	282 742	313 547
Grave plots	727 508	700 382
Tender deposits	589 321	297 339
Sundry income	40 846	173 585
Sale of land	235 583	1 674 215
	2 108 232	**3 443 463**

Figures in Rand	2024	2023

21. Debt waived

Debt waived	115 890 610	-

Debt has been waived through the write off's of the Municipality's debt by Eskom and the Department of Water and Sanitation. Eskom has relieved R 72 900 993 of the debt outstanding and the Department of Water and Sanitation has relieved R 42 989 617 of the debt outstanding.

22. Interest received from exchange transactions

Dividend revenue		
Listed financial assets - Local	-	7 062
Interest revenue		
Other financial asset	6 536 594	2 828 533
Interest charged on trade and other receivables	67 838 396	51 106 788
	74 374 990	**53 935 321**
	74 374 990	**53 942 383**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R67 838 396 (2023: R51 106 788).

23. Interest received from non-exchange transactions

Interest charged on trade and other receivables	24 805 120	18 249 725

24. Property rates

Rates received

Property rates	103 832 293	96 968 756

Valuations

Agriculture	5 054 432 733	4 998 140 783
Business	762 025 182	693 530 182
Churches	102 975 000	102 880 000
Government	310 921 000	547 481 040
Industrial	55 050 000	54 910 000
Municipal	222 568 400	222 548 400
Other	4 038 700	4 498 400
Public Service Infrastructure	41 151 000	16 121 000
Residents	6 102 592 555	6 016 477 056
Schools	108 770 000	3 100 000
	12 764 524 570	**12 659 686 861**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2024.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Government grants and subsidies

Operating grants		
Equitable share	261 394 000	241 451 000
Local Government Finance Management Grant (FMG)	3 100 000	3 100 000
Local Government Sector Education and Training Authority Grant (LGSETA)	290 357	405 524
Provincial Treasury Subsidy (Audit fees)	-	1 563 000
Expanded Public Works Programme (EPWP)	2 154 000	2 240 000
	266 938 357	**248 759 524**
Capital grants		
Municipal Infrastructure Grant (MIG)	31 659 690	13 206 059
Regional Bulk Infrastructure Grant (RBIG)	39 958 286	22 641 713
Water Service Infrastructure Grant (WSIG)	9 920 954	17 325 741
	81 538 930	**53 173 513**
	348 477 287	**301 933 037**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	86 792 930	58 513 512
Unconditional grants received	261 684 357	243 419 525
	348 477 287	**301 933 037**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable share		
Current year receipts	192 894 000	192 374 000
Transferred to revenue	(261 394 000)	(241 451 000)
Grants withheld	68 500 000	49 077 000
	-	-

Department of Mineral and Energy Grant (INEG)

Balance unspent at beginning of year	15 000 000	8 857 592
Current-year receipts	4 500 000	15 000 000
Grants withheld and transferred to equitable share	(15 000 000)	(8 857 592)
	4 500 000	**15 000 000**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	26 096 233	4 605 292
Current-year receipts	36 926 000	42 897 000
Conditions met - transferred to revenue	(29 173 286)	(13 206 059)
Retention	(2 486 404)	-
Grants withheld and transferred to equitable share	(26 100 000)	(8 200 000)
	5 262 543	**26 096 233**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Local Government Finance Management Grant (FMG)

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

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	2 154 000	2 240 000
Conditions met - transferred to revenue	(2 154 000)	(2 240 000)
	-	-

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Provincial Treasury subsidy (audit fees)

Current-year receipts	-	1 563 000
Transferred to revenue	-	(1 563 000)
	-	-

Provincial Treasury paid R1,563,000 on behalf of Ngwathe Local Municipality as part of their outstanding audit fees owing to the Auditor General.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Government grants and subsidies (continued)

Municipal Support Grant (MSG)

Balance unspent at beginning of year	5 250 000	5 250 000

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipalities to provide the communities with clean drinking water, repair and provide new additional infrastructure.

Local Government Sector Education and Training Authority (LGSETA)

Current-year receipts	290 357	405 524
Transferred to revenue	(290 357)	(405 524)
	-	-

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	5 414 848	13 040 589
Current-year receipts	14 021 000	15 000 000
Conditions met - transferred to revenue	(9 920 954)	(17 325 741)
Grants withheld and transferred to equitable share	-	(5 300 000)
Additional amount received	4 000 000	-
	13 514 894	**5 414 848**

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	27 358 287	40 045 969
Current-year receipts	40 000 000	50 000 000
Conditions met - transferred to revenue	(39 958 287)	(22 641 713)
Grants withheld and transferred to equitable share	(27 400 000)	(40 045 969)
	-	**27 358 287**

Conditions still to be met - remain liabilities (see note 15).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Fines, Penalties and Forfeits

Property Rates Penalties	148 032	41 733

Figures in Rand	2024	2023

27. Employee related costs

Basic	174 639 515	152 531 412
Bonus	13 723 217	13 970 238
Medical aid - company contributions	15 368 887	14 978 083
Unemployment insurance fund (UIF)	1 536 992	1 382 809
Other payroll levies	2 506 741	2 312 123
Leave pay provision charge	3 762 367	6 120 462
Defined contribution plans	(2 198 105)	(2 127 005)
Overtime payments	31 381 553	28 139 944
Long-service awards	45 258	(2 238 941)
Pension fund contributions	26 402 357	26 090 991
Car allowance	5 645 345	6 656 052
Housing benefits and allowances	597 190	586 826
Other allowances	9 044 995	11 225 968
Group life insurance	2 461 414	2 383 482
	284 917 726	**262 012 444**

Remuneration of Acting Municipal Manager - Nhlapo PP

Annual Remuneration	-	344 558
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	-	4 260
	-	**408 818**

PP Nhlapo acted as Municipal Manager from 11 July 2022 until 01 October 2022

Remuneration of Municipal Manager - Baleni T

Annual Remuneration	-	505 445
Car Allowance	-	286 457
Contributions to UIF, Medical and Pension Funds	-	21 923
	-	**813 825**

T Baleni was appointed as Municipal Manager from 01 October 2022 until 08 March 2023

Remuneration of Acting Municipal Manager - Mothamaha FP

Annual Remuneration	160 872	-
Car Allowance	104 425	-
Contributions to UIF, Medical and Pension Funds	2 823	-
	268 120	**-**

FP Mothamaha was appointed as Acting Municipal Manager from 01 May 2024

FP Mothamaha was permanently appointed as Municipal Manager as from 01 September 2024

Remuneration of Chief Finance Officer - Lebusa HI

Annual Remuneration	-	370 441
Car Allowance	-	20 000
Performance Bonuses	-	4 258
	-	**394 699**

HI Lebusa left the services of the Municipality on 29 July 2022

Figures in Rand	2024	2023

27. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer - Xulu M

Annual Remuneration	-	635 492
Car Allowance	-	61 200
Contributions to UIF, Medical and Pension Funds	-	8 042
	-	**704 734**

M Xulu acted as Chief Financial Officer from 01 August 2022 until 31 January 2023

Remuneration of Acting Chief Financial Officer - Mpindo TA

Annual Remuneration	-	327 673
Car Allowance	-	35 113
Performance Bonuses	-	62 817
	-	**425 603**

TA Mpindo acted as Chief Financial Officer from 01 February 2023 until 31 May 2023

Remuneration of Director Community Services - Nhlapo PP

Annual Remuneration	-	467 281
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	-	5 973
	-	**533 254**

PP Nhlapo left the services of the Municipality on 25 December 2022

Remuneration of Acting Director Community Services - Monyeke NL

Annual Remuneration	-	474 875
Car Allowance	-	61 200
Contributions to UIF, Medical and Pension Funds	-	98 306
	-	**634 381**

NL Monyeke acted as Director Community Services from 01 January 2023 until 30 June 2023

Remuneration of Acting Director Community Services - Netshivhodza AB

Annual Remuneration	371 922	-
Car Allowance	40 800	-
Contributions to UIF, Medical and Pension Funds	70 031	-
	482 753	**-**

AB Netshivhodza acted as Director Community Services from 01 August 2023 until 31 October 2023 and then from 01 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs (continued)

Remuneration of Acting Director Community Services - Pali M

Annual Remuneration	463 156	-
Car Allowance	61 200	-
Contributions to UIF, Medical and Pension Funds	80 504	-
	604 860	**-**

M Pali acted as Director Community Services from 01 November 2023 until 30 April 2024

Remuneration of Director Technical Services - Malunga TR

Annual Remuneration	863 691	812 749
Car Allowance	355 272	430 420
Contributions to UIF, Medical and Pension Funds	66 831	75 044
	1 285 794	**1 318 213**

Remuneration of Acting Director Technical Services - Phele MJ

Annual Remuneration	214 613	81 146
Car Allowance	20 400	10 200
Contributions to UIF, Medical and Pension Funds	31 740	15 051
	266 753	**106 397**

MJ Phele acted as Director Technical Services from 01 July 2023 until 30 August 2023

Remuneration of Acting Director Technical Services - Pali M

Annual Remuneration	171 639	-
Car Allowance	20 400	-
Contributions to UIF, Medical and Pension Funds	27 138	-
	219 177	**-**

M Pali acted as Director Technical Services from 01 May 2024 until 30 June 2024

Remuneration of Director Corporate Services - Mokgobu MF

Annual Remuneration	-	1 027 486
Car Allowance	-	180 000
Contributions to UIF, Medical and Pension Funds	-	30 993
	-	**1 238 479**

MF Mokgobu ledt the services of the Municipality on 31 March 2023

Remuneration of Acting Director Corporate Services - Majivolo ZJ

Annual Remuneration	-	240 901
Car Allowance	-	45 574
Contributions to UIF, Medical and Pension Funds	-	61 902
	-	**348 377**

ZJ Majivolo acted as Director Corporate Services from 01 April 2023 until 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs (continued)

Remuneration of Acting Director Corporate Services - Caleni JS

Annual Remuneration	293 840	-
Car Allowance	30 600	-
Contributions to UIF, Medical and Pension Funds	3 200	-
	327 640	**-**

JS Caleni acted as Director Corporate Services from 01 August 2023 until 31 October 2023

Remuneration of Acting Director of Corporate Services - Motshoikha T

Annual Remuneration	123 965	-
Contributions to UIF, Medical and Pension Funds	2 419	-
	126 384	**-**

T Motshoikha acted as Director of Corporate Services from 01 November 2023

In-Kind

Mr T Manele was appointed as acting Municipal Manager from 01 July 2023 until 30 April 2024. His remuneration during this period was paid for by COGTA

Ms KB Lepesa was appointed as acting Chief Financial Officer on 13 June 2023 and has acted as Chief Financial Officer from 01 July 2023 until 30 June 2024. Her remuneration during this period was paid for by COGTA

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Remuneration of councillors

Executive Mayor	990 646	939 829
Councillors	10 406 168	9 720 635
Mayoral Committee Members	5 548 277	5 218 617
Speaker	836 925	799 577
	17 782 016	**16 678 658**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles and driver for official duties

The Executive Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution

28. Remuneration of councillors (continued)

Councillors 30 June 2024	Annual Remuneration	Allowances	Company contributions	Total
De Beer VE	622 384	368 262	-	990 646
Mopedi NP	636 506	200 419	-	836 925
Moloi NS	474 079	287 754	35 555	797 388
Mosepedi MTJ	469 913	312 574	-	782 487
Mofokeng MD	483 302	312 574	-	795 876
Serati MJ	483 302	312 574	-	795 876
Sefako ME	460 689	289 656	34 552	784 897
Khumalo KJ	483 302	312 574	-	795 876
Masooane D	483 302	312 574	-	795 876
Schoonwinkel A	251 214	98 489	18 841	368 544
Moseme SL	260 180	106 528	-	366 708
De Jager SHF	260 180	106 528	-	366 708
Sehume NA	260 180	105 128	-	365 308
Tyumbu MJ	260 180	104 626	-	364 806
Nthoesane SE	260 180	106 528	-	366 708
Rantsaile MM	260 180	104 626	-	364 806
Mokoena BT	260 180	106 528	-	366 708
Magashule IM	260 180	106 528	-	366 708
Moroenyane MJ	251 210	96 591	18 841	366 642
Jantjie AA	251 210	98 493	18 841	368 544
La Cock SM	260 180	106 528	-	366 708
Motaung MP	260 180	106 528	-	366 708
Matthysen Engelbrecht ME	260 180	106 528	-	366 708
Meyer JA	260 180	106 528	-	366 708
Kok S	260 180	106 528	-	366 708
De Jager AJ	260 180	106 528	-	366 708
Nteo S	260 180	104 626	-	364 806
Van Der Merwe PP	260 180	106 528	-	366 708
Mokoena KJ	260 180	106 528	-	366 708
Ferendale RS	260 180	106 528	-	366 708
Rapuleng MD	260 180	106 528	-	366 708
Sothoane TP	260 180	104 626	-	364 806
Sefontein C	260 180	106 528	-	366 708
Sotshiva L	349 256	94 456	26 194	469 906
Toyi MS	349 004	106 528	-	455 532
Moloi MP	260 180	106 528	-	366 708
Segoba SJ	65 996	29 626	-	95 622
Mbele MJ	157 664	65 147	-	222 811
	11 996 293	**5 632 899**	**152 824**	**17 782 016**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Remuneration of councillors (continued)

Councillors 30 June 2023	Annual	Allowances	Company contributions	Total
De Beer VE	572 460	367 368	-	939 828
Mopedi NP	601 277	198 300	-	799 577
Moloi NS	427 539	289 446	28 495	745 480
Mosepedi MTJ	435 027	310 454	-	745 481
Mofokeng MD	435 273	310 454	-	745 727
Serati MJ	435 027	310 454	-	745 481
Sefako ME	427 539	289 446	28 495	745 480
Khumalo KJ	435 027	310 454	-	745 481
Masooane D	435 027	310 454	-	745 481
Schoonwinkel A	229 955	97 010	17 246	344 211
Moseme SL	237 733	104 409	-	342 142
De Jager SHF	234 659	104 409	-	339 068
Sehume NA	237 733	104 409	-	342 142
Tyumbu MJ	234 659	104 409	-	339 068
Mthoesane SE	234 659	104 409	-	339 068
Rantsaile MM	234 659	104 409	-	339 068
Mokoena BT	234 659	104 409	-	339 068
Magashule IM	237 733	104 409	-	342 142
Moroenyane MJ	229 709	99 700	13 956	343 365
Jantjie AA	229 709	99 700	13 956	343 365
La Cock SM	234 659	104 409	-	339 068
Motaung MP	234 659	104 409	-	339 068
Matthysen Engelbrecht ME	234 659	104 409	-	339 068
Meyer JA	234 659	104 409	-	339 068
Kok S	234 659	104 409	-	339 068
De Jager AJ	234 659	104 409	-	339 068
Nteo S	237 733	104 409	-	342 142
Van der Merwe PP	237 733	104 409	-	342 142
Mokoena KJ	234 659	104 409	-	339 068
Ferendale RS	237 733	104 409	-	342 142
Rapuleng MD	237 733	104 409	-	342 142
Sothoane TP	234 659	104 409	-	339 068
Serfontein C	237 733	104 409	-	342 142
Sotshiva L	327 219	93 252	21 442	441 913
Toyi MS	322 560	104 409	-	426 969
Moloi MP	234 659	104 409	-	339 068
Segoba SJ	232 322	104 409	-	336 731
	10 962 760	**5 592 308**	**123 590**	**16 678 658**

29. Depreciation and amortisation

	2024	2023
Property, plant and equipment	51 514 504	50 969 580

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Impairment of assets

Impairments		
Property, plant and equipment	9 601 732	21 866 249
Reversal of impairments		
Property, plant and equipment	(1 904 032)	-
Total impairment losses (recognised) reversed	**7 697 700**	**21 866 249**

An 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.

Infrastructure assets - GRAP 26.(23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.

Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:
(a) legal ownership; and/or
(b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owner's name, the land was impaired.

Method
Carrying value – Value in Use = Impairment Loss

Significant assumptions applied
Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.

31. Finance costs

Trade and other payables	88 508 127	67 276 473
Provision (Landfill site)	7 673 430	6 974 011
Fines and penalties paid to SARS	5 796 735	-
Employee benefits	3 735 777	4 182 898
	105 714 069	**78 433 382**

32. Debt impairment

Contributions to debt impairment provision	243 218 408	202 115 782
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(934 337 441)	(819 181 372)
Debt impairment written off against the allowance	12 767 825	93 315 401
VAT provision on impairment	(16 759 683)	(6 355 687)
Contribution to allowance	(243 218 408)	(202 115 782)
	(1 181 547 707)	**(934 337 440)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Bulk purchases

Electricity - Eskom	305 475 158	247 198 403
Water	31 306 793	38 931 652
	336 781 951	**286 130 055**

Electricity losses

Units purchased	(225 944 314)	(213 677 105)
Units sold	92 668 574	130 121 603
Total loss	**(133 275 740)**	**(83 555 502)**
Percentage Loss:		
Technical losses	(59)%	(39)%

Water losses

Units purchased	(5 518 016)	(5 110 274)
Units sold	5 369 451	4 754 961
Total	**(148 565)**	**(355 313)**
Percentage Loss:		
Technical losses	(3)%	(7)%

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Contracted services

Presented previously		
Commission paid	27 860 525	5 413 966
Specialist Services	2 249 968	1 442 950
Outsourced Services		
Administrative and Support Staff	-	104 038
Meter Management	3 459 605	3 025 802
Consultants and Professional Services		
Legal Cost	2 705 936	2 495 710
Contractors		
Other Contractors	7 189 941	10 840 163
Safeguard and Security	7 534 413	10 252 367
	51 000 388	**33 574 996**

35. General expenses

Accomodation cost	1 415 449	1 483 742
Advertising	956 392	672 771
Auditors remuneration	10 329 689	8 110 441
Bank charges	752 114	648 399
Cleaning	415 261	460 109
Consumables	6 777 735	7 204 967
Donations	176 087	178 043
Entertainment	740 512	573 467
Hire	45 678 832	54 458 651
Insurance	3 735 401	1 467 911
Fuel and oil	4 364 109	4 485 035
Postage and courier	1 257 541	1 282 886
Printing and stationery	1 259 311	1 181 132
Protective clothing	738 793	493 516
Financial systems (BCX)	3 295 746	2 115 026
Subscriptions and membership fees	3 177 173	2 562 840
Telephone and fax	7 365 208	6 225 843
Transport and freight	491 556	128 809
Training	2 209 439	1 459 489
Travel - local	3 904 465	1 543 900
Chemicals	10 361 393	14 102 923
Employee wellness	82 450	30 790
Youth development	630 508	572 938
Licenses	691 771	849 435
Other expenses	5 361 970	4 838 589
	116 168 905	**117 131 652**

36. Repairs and maintenance

Repairs and maintenance	15 451 299	13 916 671

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Fair value adjustments

	2024	2023
Investment property	97 333 486	3 510 617
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	55 342	6 375
• Other financial assets (At amortised cost)	90 465	38 632
	97 479 293	**3 555 624**

38. Cash generated from operations

	2024	2023
Deficit	(75 099 560)	(228 254 506)
Adjustments for:		
Depreciation and amortisation	51 514 504	50 969 580
Gain on disposal of assets	204 766	429 455
VAT	(18 318 058)	85 516 351
Audit fees paid by treasury	-	(1 563 000)
Fair value adjustments	(97 479 293)	(3 555 624)
Finance costs - Trade and other payables	93 638 157	67 033 313
Interest received from exchange transactions	(65 440 512)	(48 174 482)
Interest received from non-exchange transactions	(22 914 955)	(16 153 970)
Bulk purchases recovered	(115 890 610)	-
Impairment of assets	7 697 700	21 866 249
Debt impairment	243 218 408	202 115 782
Employee benefit obligations - Current service cost	1 075 193	1 340 040
Movements in provisions	7 673 430	6 974 011
Acturial gains / losses	6 189 829	(4 303 863)
Employee benefit obligations - Finance cost	3 735 777	4 182 898
Inventory loss/(surplus)	6 384	(115 032)
Dividends received on investment	-	(7 062)
Changes in working capital:		
Inventories	95 740	37 845
Receivables from exchange transactions	(164 398 257)	(135 427 259)
Receivables from non-exchange transactions	(35 809 333)	(23 449 016)
Other receivables	(989 281)	624 731
Payables from exchange transactions	340 566 035	228 220 554
VAT	(14 383 876)	(128 520 172)
Unspent conditional grants and receipts	(50 591 929)	7 319 925
Consumer deposits	260 596	1 680
	94 560 855	**87 108 428**

39. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	2 526 885	2 526 885
Receivables from non-exchange transactions	-	31 765 921	31 765 921
Receivables from exchange transactions	-	182 693 903	182 693 903
Other financial assets	198 416	688 473	886 889
Cash and cash equivalents	-	62 102 449	62 102 449
	198 416	**279 777 631**	**279 976 047**

39. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 597 115 497	2 597 115 497
Consumer deposits	5 146 429	5 146 429
	2 602 261 926	**2 602 261 926**

2023

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	1 537 604	1 537 604
Receivables from non-exchange transactions	-	28 755 118	28 755 118
Receivables from exchange transactions	-	140 360 057	140 360 057
Other financial assets	143 075	598 008	741 083
Cash and cash equivalents	-	45 971 786	45 971 786
	143 075	**217 222 573**	**217 365 648**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 271 961 829	2 271 961 829
Consumer deposits	4 885 833	4 885 833
	2 276 847 662	**2 276 847 662**

40. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	102 226 818	40 009 857
Total capital commitments		
Already contracted for but not provided for	102 226 818	40 009 857

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	102 226 818	40 009 857

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, funds internally generated and grants received.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Contingencies

The following cases were against the Municipality in the 2024 financial year as confirmed by the Attorneys. The nature and amount of the different litigations are as follows:

MC Security - Claims for services rendered. Estimate of financial implications amounts to R50 000

Beetle Breeze - Claims for services rendered. Estimate of financial implications amounts to R38 000

P.P Nhlapo - Claims for damages. Estimate of financial implications amounts to R35 000

S.C Lewis - Claims for damages. Estimate of financial implications amounts to R30 000

Twin Brothers Construction - Civil litigation pending in court. Estimate of financial implications amounts to R1 500 000

Yande Engineering - Disputed claim unverified. Estimate of financial implications amounts to R650 000

Booysen JWC - Claim for damages personal injury. Estimate of financial implications amounts to R1 000 000

Global Phashash - Claim of damages. Estimate of financial implications amounts to R1 000 000

The following suppliers each have a difference between the Municipality's records and the suppliers statements. These differences relate to disputed invoices by the Municipality and therefore will be disclosed as Contingent Liabilities:

AK Lepaso Waste Management - Disputed amount of R125 000
Bakubung Trading Enterprises CC - Disputed amount of R941 000
Basieng Trading Projects - Disputed amount of R2 459 988
Castlehill Trading 314 - Disputed amount of R623 405
Hourglass Trading 59 - Disputed amount of R223 734
Inkanyezi Road Service - Disputed amount R50 337
Inkokheli Business Enterprises - Disputed amount of R1 841 757
Mchango Consulting - Disputed amount of R211 439
Odin Fentse Projects and Trading - Disputed amount of R5 270
Patsam General Dealer - Disputed amount of R291 000
Pioneer Security and Academy - Disputed amount of R4 014 476
RCH Trading CC - Disputed amount of R614 219
Sita Pty Ltd - Disputed amount of R150 403
Sitna Trading (Pty) Ltd - Disputed amount of R23 846
West Rand Consulting (Pty) Ltd - Disputed amount of R492 500
Yande Engineering and Projects - Disputed amount of R40 615
Dagne Water and Auxilliary Services (Pty) Ltd - Disputed amount of R189 000
Londoloza Utility Solutions - Disputed amount of R1 367
Orkneymak Tourism Trading and Projects (Pty) Ltd - Disputed amount of R144 857
Stux Holdings (Pty) Ltd - Disputed amount of R200 400
LTP Trading Projects - Disputed amount of R186 100
Maleho Construction and Projects - Disputed amount of R38 000
Plexiphon 213 CC - Disputed amount of R158 700
Today's Destiny Trading and Projects 23 - Disputed amount of R29 900
Vale Construction and Projects - Disputed amount of R205 900
Coalition Trading 1347 CC - Disputed amount of R108 000
Morare Construction (Pty) Ltd - Disputed amount of R721 500
Refiloe Kethabile (Pty) Ltd - Disputed amount of R24 640
Speed of Sea Point Project - Disputed amount of R298 392
The Nil Trading - Disputed amount of R28 380

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Contingencies (continued)

Nature of litigation	Possible rand value of claim 2024	Possible rand value of claim 2023	Number of cases 2024	Number of cases 2023
Civil Litigation	4 303 000	5 879 738	8	9
Disputes	14 444 126	10 243 392	30	18
	18 747 126	**16 123 130**	**38**	**27**

42. Change in estimate

Property, plant and equipment

The useful lives of certain property, plant and equipment items on the asset register were assessed during the current financial year and it was found that certain assets are being utilized for period that extent beyond their original expected useful lives. This resulted in the remaining useful lives of these particular assets being adjusted downwards to accomodate the prolonged utilisation. The effect of this revision has resulted in the depreciation charge changing as shown below.

Category and reason for change in accounting estimate	Depreciation before adjustment in useful lives	Depreciation after adjustments in useful lives	Effect of the change in estimate
Community Assets	(2 730 711)	(2 730 712)	(1)
Infrastructure Assets	(43 927 651)	(43 928 866)	(1 215)
Other Assets	(3 315 455)	(3 543 535)	(228 080)
	(49 973 817)	**(50 203 113)**	**(229 296)**

43. Prior-year adjustments

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

VAT receivable
VAT receivable was restated due to the accrual of payments that relate to the 2023 financial years that were made in the 2024 financial year and therefore the VAT on these payments were accounted for.

Other receivables
Other receivables was restated in order to correct an incorrect vote that was used to account for the dividends on the Sanlam investment.

Payables from exchange transactions:

Trade payables
Payables were restated in order to accrue for transactions relating to the 2023 financial year for which payments were made in the 2024 financial year.

Contracted services
Contracted services was restated as a result of payments that were made in the 2024 financial year. These payments were made in the 2024 financial year, however these payments relate to the 2023 financial year.

General expenses
General expenses was restated as a result of payments that were made in the 2024 financial year. These payments were made in the 2024 financial year, however these payments relate to the 2023 financial year.

Repairs and maintenance
Repairs and maintenance was restated as a result of payments that were made in the 2024 financial year. These payments were made in the 2024 financial year, however these payments relate to the 2023 financial year.

Finance cost
Finance cost was restated to account for interest transactions that relate to the 2023 financial year, however payments were made in the 2024 financial year.

Fair value adjustment
Fair value adjustment was recalculated in order to correctly account for the fair value on the Sanlam investment after correcting the incorect vote that was used for the dividends on the investment.

Work in Progress
During the current year, a payout was done for final retentions and it was noted that the payment was less than the final 50% withheld. Investigated and determined that the prior period retentions were incorrectly calculated and corrections were applied.

Property Plant and Equipment
Donation letters were produced for assets that were donated to the municipality in 2022. These assets were retrospectively capitalised and depreciated from takeon date June 2022. Furthermore, additons paid for in the current year but relating to prior year were correctly accounted for by reversing them in the current year and accruing for them in the prior period. Depreciation on these assets were also retrospectively recalculated.
Landfill site asset was also restated to comply with IGRAP 2 with regards to depreciation calculation.

Investment Property
The prior period error related to the addition of properties due to newly acquired deeds data being made available and accounting for the market growth of the respective properties.

Service charges
The service charges was restated due to a payment that was made to SARS for VAT that was incorrectly allocated to a service charges revenue vote

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Prior-year adjustments (continued)

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Investment property	3	172 880 594	15 399 331	188 279 925
Property, plant and equipment	4	1 622 305 552	2 054 662	1 624 360 214
Other receivables	6	1 544 666	(7 062)	1 537 604
VAT receivable	10	327 884 428	(92 142 172)	235 742 256
Payables from exchange transactions	12	(2 308 933 119)	36 971 290	(2 271 961 829)
		(184 317 879)	**(37 723 951)**	**(222 041 830)**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Service Charges	18	(372 300 950)	(54 408)	(372 355 358)
Depreciation	29	50 420 130	549 450	50 969 580
Impairment loss	30	22 006 481	(140 232)	21 866 249
Finance cost	31	78 302 703	130 679	78 433 382
Contracted services	34	33 306 228	268 768	33 574 996
General expenditure	35	115 493 627	1 638 025	117 131 652
Repairs and maintenance	36	13 531 471	385 200	13 916 671
Fair value adjustment	37	(3 275 554)	(280 070)	(3 555 624)
Surplus for the year		**(62 515 864)**	**2 497 412**	**(60 018 452)**

Corrections

Additionally, the following opening balances have been adjusted.

Commitments

	2024	2023
Opening balance	-	41 615 550
Adjustments made	-	(1 605 693)
Restated opening balance	**-**	**40 009 857**

During the current year payout was done for final retentions and it was noted that the payment was less than the final 50% withheld. Investigated and determined that the prior period retentions were incorrectly calculated and corrections were applied.

PAYE, SDL and UIF

	2024	2023
Opening balance	-	4 882 173
Adjustments made	-	1 071 664
Restated opening balance	**-**	**5 953 837**

The opening balance for PAYE, SDL and UIF as per the additional MFMA disclosure was corrected due to the fact that penalties for November to February were incorrectly not accounted for in the opening balance.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Related parties

Relationships	
Members of key management	Refer to note 27
Members of council	Refer to note 28

45. Comparative figures

Comparative figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note 43

46. Risk management

Financial risk management

Liquidity risk

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

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	886 889	741 083
Cash and cash equivalents	62 102 449	45 971 786
Consumer deposits	5 146 429	4 885 833

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Annual Financial Statements

47. Going concern

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

In the preperation of the going concern assessment certain risk factors relating to events and conditions have been identiifed which may cast significant doubt upon the entity’s ability to continue as a going concern. With that notwithstanding, there are several mitigating factors which will ensure that the Municipality is able to cover its commitments in the immediate term. These strategies which are being implemented are articulated in the Turnaround and Financial Recovery Plan that was adopted by Council, whose implementation was and still is being monitored on a monthly basis.

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Financial considerations:

Financial ratio analaysis has been performed in order to assess the profitability, liquidity and efficiency of the Municipality.

The following ratio's have been calculated and have been identified as being unfavourable:
Current ratio: 0.21
Cash flow coverage ratio: 0.03
Quick ratio: 0.21
Debt ratio: 1.12
Net working capital ratio: -0.84
Cash ratio: 0.02

We draw attention to the fact that at 30 June 2024, the municipality had accumulated deficits of R (304 657 259) and that the municipality's total liabilities exceeds its assets by R (304 657 259).

47. Going concern (continued)

The annual financial statements indicates that the municipality incurred a net loss of R75 099 560 during the year ended 30 June 2024 and, as of that date, the municipality’s current liabilities exceeded its current assets by R2 084 822 787.

The Municipality incurred electricity losses of 59% as dislosed in note 33.

The imapirment on the assets has decreased by R14 168 549

In addition, the municipality owed Eskom R2 145 416 251 (2023: R1 825 076 605) and the Department of Water and Sanitation and Randwater R206 379 002 (2023: R221 958 164) as at 30 June 2024, which was long overdue.

Debts with Eskom and DWA continue to increase due to cost constraints and therefore additional financial cost will incur. As part of the conditions of the debt relief arrangement, the Municipality must pay its current account due to Eskom which the Municipality has failed to meet and pay off in the current year. This non-compliance with the conditions places the debt relief at risk of being revoked. Due to the fact that other suppliers are unwilling to provide the Municipality with goods and services, due to non-payment by the Municipality, it is likely that conditional grants will be used to pay off some of its debts, which will effect service delivery as those amounts are meant to be used to improve the infrastructure of the Municipality.

The Municipality has a creditors’ payment period of 1265,6 days. This indicates that the municipality is unable to pay its suppliers and that suppliers are likely to sustain significant financial losses in a scenario where the municipality is liquidated. There are currently no payment arrangements entered into with creditors and no agreements of debt subordination. There has been public pressure from major suppliers to start legal actions in an attempt to collect on outstanding amounts.

Revenue generating activities:

The Municipality's revenue has increased for the year.

The Municipality's total revenue for the year has increased by R217 039 193.

The Municipality's revenue from service charges increased by R21 961 022 and its revenue from property rates has increased by R6 863 537.

The Municipality's debt impairment has increased by R41 102 626.

The municipality has also billed less than what was budgeted for the year. R189 710 677 less service charges was collected than that was budgeted for and R21 865 600 less property rates was collected than that was budgeted for.

The municipality has a debtor’s collection period of 867.6 days. This unfavourable ratio indicates that the municipality is struggling to collect revenue from debtors.

Cash management and financing:

The Municipality currently has positive cash and cash equivalents of R62 102 449.

Of this amount, R62 245 924 relates to the Municipality's ring-fenced grant funds whilst (R195 356) relates to the Municipality's primary account which is used for day-to-day operations.

The current account available for day-to-day operations currently amounts to an overdraft of (R195 356) as at 30 June 2024

The municipality does not have sufficient cash reserves to cover its debts or sustain its operations for a significant period of time. The value of cash plus investment less commitments amount to a deficit of R2 573 041 405. This unfavourable ratio is an indicator of the unfavourable financial position of the Municipality and is a precursor to significant cash flow constraints. Additionally, National Treasury has been going through a process of fiscal tightening and has indicated that they will no longer provide financial bailouts to struggling municipalities and have seen this policy being strictly implemented in prior years.

Due to lack of cash flow and continual financial losses, the Municipality has been underspending on its repairs and maintenance budget, which is less than 8% of its budget. This means that aging infrastructure is not being adequately maintained which will contribute to future infrastructure failures which in turn will impact the Municipalities’ ability to deliver basic services to the community. In mitigating, the Municipality has invested in the Enterprise Asset Management module

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Going concern (continued)

which will be utilised for maintenance and this automatically integrates the maintenance related work orders to the Solar Financial Management system. In the months subsequent to the financial year end, personnel will be trained on the new EAM system so that it will feed into the municipality's maintenance plan.

Operating:

During the financial year the municipality has had 2 different persons in the role of Municipal Manager. I draw your attention to the general information for the persons who acted in these roles and for the duration.

The Municipality has appointed Dr Mothamaha as Municipal Manager as from 01 September 2024 and he has been acting in this role since May 2024. The Municipality has also appointed Mr M Xulu as Chief Financial Officer as from 01 September 2024.

Various persons have been acting in the directors roles and some permanent director positions are currently not filled. I draw your attention to note 26 for the persons who acted in these roles and for the duration..

Mitigating factors to the identified events and conditions:

The following are mitigating factors that the Municipality has in place:

Revenue:
A turnarount strategy was developed and approved by Council in October 2022 and the action plans relating to the turnaround strategy were reviewed during 2023/24 financial year.

The purpose of the turnaround strategy is to assess the financial status of the municipality and develop action plans to address challenges that were identified during the assessment.

The plan lists out various strategies that have been developed in order to improve the financial position of the Municipality.

The Municipality has been implementing the Revenue Enhancement Program which is ongoing and includes various ongoing strategies to improve revenue collection such as data cleansing and indigent registrations.
The EPWP programme is in place to assist with areas of revenue including meter readings and cut-offs. The Municipality has had meetings with principles to try and recover some departmental accounts.

The turnaround plan has assisted the Municipality in the registering of indigents as at June 2024. The Municipality will embark on the new indigent registrations for the 2024/25 year from July 2024 to September 2024. An increase in households registered as indigents could possibly assist the Municipality when it come to its Equitable Share allocation.

The Municipality's Financial Recovery Plan also rets out a revenue management strategy which sets out the need to ensure sustainability and harness the availability of cash to ensure that the Integrated Development Plan is properly aligned to the budget

The Municipality is also proposing to split the Revenue Division to include a credit control and debt division which will aim to imrpove revenue collection.

Payables and Expenditure:
The main contibuting factor to unfavourable financial ratios is the debt owed to Eskom at the end of the financial year.
The municipality submitted a debt relief application to National Treasury on 02 October 2023 as per MFMA circular 124.
The municipality’s application for municipal debt relief was approved with effect from 01 December 2023.
This will assist the Municipality in reducing the balance payable to Eskom.

The municipality has submitted a payment arrangement request to Randwater on 27 June 2024 to request a payment arrangement in respect of the outstanding debt.

The Municipality's Financial Recovery Plan has set out an expenditure and cost containment strategy in order to increase the availability of financial resources and this will help in reducing the actual and accumulated deficit incurred. The Municipality has moved its accounting system from VENUS to SOLAR. As a result, certain features and controls are now in place to assist the municipality in various areas. The Municipality will be able to see the budgets in real time which will assist in the budgeting

47. Going concern (continued)

process. The Enterprise Asset Maintenance function on SOLAR will assist the technical team with their maintenance. The Municipality has worked to implement stricter internal controls on expenditure and payables including the authorisation of deviations and quotations. The Municipality will implement the Procurement Policy in 2024/25 to assist with the budgeting process. It is proposed that during the budget adjustment in February 2025, work will commence to start planning for the next financial year's procurement

The Municipality has prepared a cost containment policy in terms of Circular 82 which is aimed at curbing expenditure.

Municipality has invested in the Enterprise Asset Management module which will be utilised for maintenance and this automatically integrates the maintenance related work orders to the Solar Financial Management system. In the months subsequent to the financial year end, personnel will be trained on the new EAM system so that it will feed into the municipality's maintenance plan.

Future funding:
In terms of the Division of Revenue Act (Act 3 of 2017), the entity has been allocated the following equitable share grant over the next 3 years.
2023/24 - R261 348 000
2024/25 - R281 182 000
2025/26 - R291 091 000

It is therefore evident that the entity will continue to receive funding from the government and this represents funds to the Municipality for the foreseeable future.

The Municipality will also continue to have the power to levy rates and taxes for the foreseeable future.

The Municipality has prepared a Budget Funding Plan that was approved by Council on the 12th of November 2024, which is aimed to assist the Municipality in meeting its operational expenditures against collected income and improve the financial situation.

Operating:
The Municipality is working to strenghen its segregated duties by seperating certain functions between HR and Payroll. The Municipality is also actively in the process of working towards filling the vacant director roles and has filled the vacant CFO and MM roles with permanent appointments as from 01 September 2024.

Conclusion:
Although various risk factors regarding the Municipality's going concern have been identified, the going concern principles as per GRAP 1 are still applicable for the preparation of the AFS. We are therefore satisfied that the Municipality is indeed a going concern and that the going concern basis of accounting is appropriate for the preperation of the Annual Finanical Statements.

48. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	545 451 788	350 557 400
Add: Unauthorised expenditure - current	315 967 846	250 963 048
Add: Unspent grants (Non-cash backed)	-	43 046 488
Add: Unauthorised expenditure - identified by Auditor General	19 306 300	-
Less: Condone and/or write off by council	(294 009 536)	(99 115 148)
Closing balance	**586 716 398**	**545 451 788**

The Municipal Public Account Committee recommended to the council of Ngwathe Local Municipality to condone and/or write off the unauthorised expenditure in line with paragraph 32.2(b) of the MFMA on the 30th of August 2024.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Fruitless and wasteful expenditure

Opening balance as previously reported	141 684 361	86 876 166
Less: Condone and/or write off by council	(130 358 201)	(23 765 682)
Auditor General of South Africa (AGSA)	659 439	248 670
Eskom	70 104 250	51 888 409
Eskom NMD	-	13 947
Rand Water	7 073 038	3 164 721
Department of Water and Sanitation	9 112 244	7 410 350
Free State Provident Fund	450	2 078
SALA Pension Fund	6 492	44 208
MWRF	12 434	-
SARS - EMP (Interest and Penalties)	5 365 631	3 071 182
SARS - VAT (Interest and Penalties)	1 768 357	1 260 192
Telkom SA Ltd	158 241	61 339
Telkom SOC Ltd	-	943
NFMW	6 933	22 721
S Gouws Sheriff	37 266	71 791
Councillors Pension Fund	87	116
Bank Transactions	-	2 498
Skillz-SA	-	21 440
VAT01	-	323
Project: Construction of Koppies to Edenville bulk water supply pipeline	-	3 047 242
Project: Heilbron Sandersville low level bridge	-	7 850 556
Project: Sandersville Heilbron pedestrian bridge	-	391 151
Closing balance	**105 631 022**	**141 684 361**

The Municipal Public Account Committee recommended to the Council of Ngwathe Local Municipality to condone and/or write off fruitless and wasteful expenditure in line with paragraph 32.2(b) of the MFMA on the 30th of August 2024.

50. Irregular expenditure

Opening balance as previously reported	334 219 786	303 260 491
Add: Irregular expenditure	14 340 890	19 022 663
Add: Irregular expenditure identified during the audit	43 761 584	11 936 632
Closing balance	**392 322 260**	**334 219 786**

The irregular expenditure included in the note above is inclusive of Value Added Tax.

Population assessment will be done during the 2024/2025 financial year as it is impractical to do so at this stage.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Irregular expenditure (continued)

Categories of irregular expenditure

Irregular expenditure can be categorised as follows:	**Total**
Accommodation	1 357 265
Advertisement	788 585
Chemicals	5 030 687
Finance	1 440 853
Legal fees	361 388
Bursary	3 735
Catering	76 400
Refund	17 634
Training	201 086
Transport	41 076
Transport Loudhailing	9 400
Valuation	16 100
Wellness	58 550
Repairs and Maintenance	2 213 712
Hire	1 974 474
Security	531 791
Land Audit	62 445
Verification of Section 57 Qualifications	155 709
	14 340 890

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	2 943 034	2 958 164
Current year subscription / fee	3 177 173	2 853 280
Amount paid - previous years	(2 845 575)	(2 868 410)
	3 274 632	**2 943 034**

Audit fees

	2024	2023
Opening balance	2 101 514	1 661 539
Current year subscription / fee	11 059 935	9 034 311
Interest charges	659 439	248 670
Amount paid by National Treasury	-	(1 563 000)
Amount paid - current year	(4 452 864)	(6 362 022)
Amount paid - previous years	(2 307 737)	(917 984)
	7 060 287	**2 101 514**

PAYE , SDL and UIF

	2024	2023
Opening balance	5 953 837	8 219 842
Current year subscription / fee	43 383 247	42 593 472
Interest	1 093 610	82 711
Penalties	4 272 021	2 988 471
Amount paid - previous year	(9 663 827)	(3 487 866)
Amount paid - current year	(28 102 426)	(45 514 457)
Transactions tax years	10 559 783	1 071 664
Credit journals	(1 851 054)	-
	25 645 191	**5 953 837**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

Opening balance	5 468 109	3 036 000
Current year subscription / fee	67 227 468	65 654 757
Interest and penalties	48 565	52 237
Overpayment to LA Health April 2024	8 414	-
Amount paid - previous year	(5 468 109)	(3 036 000)
Amount paid - current year	(61 664 769)	(60 238 885)
	5 619 678	**5 468 109**

VAT

VAT receivable	268 444 190	235 742 256

VAT output payables and VAT input receivables are shown in note 10.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
De Jager SHF	16 531	-	16 531
Mofokeng MD	1 567	11 570	13 137
Jantjie AA	3 651	92 839	96 490
Serati MJ	1 508	3 455	4 963
Masooane D	2 854	20 561	23 415
Mokoena KJ	1 614	10 655	12 269
La Cock SM	3 748	6 880	10 628
Schoonwinkel A	3 568	-	3 568
Moseme SL	1 846	32 281	34 127
De Jager AJ	11 119	330 217	341 336
Mokoena BT	2 076	18 347	20 423
Motaung MP	206	-	206
Tyumbu MJ	1 256	1 992	3 248
Matthysen-Engelbrecht ME	4 687	35 215	39 902
Mosepedi MTJ	837	-	837
Khumalo KJ	599	-	599
	57 667	**564 012**	**621 679**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mosepedi MTJ	1 042	-	1 042
Mofokeng MD	1 310	451	1 761
Serathi MJ	1 673	14 846	16 519
Khumalo KJ	2 394	3 880	6 274
Masooane D	2 434	9 984	12 418
La Cock SM	2 275	-	2 275
Jantjie AA	3 292	78 939	82 231
Matthysen Engelbrecht ME	4 009	17 868	21 877
Kok S	3 433	-	3 433
Nteo S	1 139	3 903	5 042
Moseme SL	1 738	27 292	29 030
Rapuleng MD	1 558	22 264	23 822
Sothoane TP	1 097	4 857	5 954
Tymbu MJ	1 359	8 624	9 983
Rantsaile MM	297	-	297
Mokoena BT	2 104	39 374	41 478
MP Motaung	509	-	509
KJ Mokoena	1 394	5 091	6 485
De Jager AJ	10 111	289 445	299 556
	43 168	**526 818**	**569 986**

52. Budget differences

Material differences between budget and actual amounts

52. Budget differences (continued)

Management considers any variance above 10% to be significant.

52.01 - The Municipality collected less than what was budgeted for, this might be due to changes in the systems that started during the 2024 financial year.

52.02 - The Municipality collected less on the rental of facilities in the 2024 financial year as the municipality is unable to collect rent on some of municipal properties due to unemployment and hostel dwellers.

52.03 - The Municipality budgeted less on other income in the 2024 financial year expecting to collect less taking into account the current economic climate.

52.04 - The interest received on outstanding receivables is greater than the budget due to the current economic climate and the increase in outstanding debt due to the Municipality. The Municipality budgeted less based on the expectation that more debtors would settle outstanding debt and therefore less interest charged

52.05 - The Municipality budgeted more for property rates in the 2024 financial year this might be due to changes in the systems that started during the 2024 financial year.

52.06 - The Municipality anticipated to receive more funds from grants for the 2024 financial year. Less expenditure with conditions met was transferred to revenue during the 2023 financial year.

52.07 - The Municipality budgeted more on fines and penalties based on the growing number of debtors with illegal connections.

52.08 - The variance is less than 10%, therefore it is immaterial.

52.09 - The Municipality does not budget for these line items.

52.10 - The Municipality budgeted less on finance cost taking into account the debt relief that was approved for the outstanding debt owed to Eskom.

52.11 - The Municipality anticipated more bulk purchases for the 2024 financial year, taking into account the demand for water and electricity.

52.12 - The Municipality budgeted less for contracted services with the intention of cost saving and keeping expenditure under control.

52.13 - The Municipality budgeted less on general expenses with the intention of keeping the expenditure under control, spending less on its day to day operations, and with the goal of cost saving.

52.14 - The Municipality budgeted more on repairs and maintenance. The Municipality spent less on repairs and maintenance with the intention of keeping the expenditure under control and with the goal of cost saving

52.15 - The Municipality budgeted more for inventories with the expectation that more inventories would be purchased and utilised. Less inventory was purchased as at year end than had been expected.

52.16 - The Municipality budgeted less for receivables from non exchange transactions without taking into account the current economic conditions, rise in living costs and the possibility of long standing debtors.

52.17 - The Municipality budgeted less for receivables from exchange transactions without taking into account the current economic conditions, rise in living costs and the possibility of long standing debtors.

52.18 - The Municipality budgeted less for cash and cash equivalents without taking into account the interest on the call accounts that would accumulate and fluctuate as and when the funds are utilised.

52.19 - The Municipality budgeted more for investment property taking into account the prospect of fair value adjustments affecting the values of the properties for the financial year. The assumptions and calculations used in the fair value adjustment of the properties affect the variance between budget and actual.

52. Budget differences (continued)

52.20 - The Municipality budgeted more for property, plant and equipment with the expectation of more asset additions during the year.

52.21 - The Municipality budgeted for payables from non-exchange transactions, however no non-exchange transactions occured during the finanical period.

52.22 - The Municipality has budgeted less on landfill site. The intention is to reach a desirable compliance status in the next few financial years.

52.23 - The Municipality budgeted more for this item taking into account the suppliers and the large amounts outstanding to suppliers such as Eskom and DWS.

52.24 - The Municipality budgeted more with the expectation that more assets would be purchased during the financial year and also expected to have additional assets completed during the financial year.

52.25 - The Municipality budgeted for the prospective increase/decrease in consumer deposits, however no consumer deposits arising from financing activities were prevalent during the financial year.

52.26 - The Municipality budgeted less without taking into account the current economic climate and that the community has a high number of indigents applications that has increased from the prior year.

53. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2024	-	10 993 354	-	6 465 991	17 459 345

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2023	4 246	19 532 597	-	911 513	20 448 356

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. 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 5 towns. Segments were aggregated on the basis of services delivered.

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	**Goods and/or services**
Community services	Community service
Technical services	Sale of goods and services
Other	Sale of goods and services

Notes to the Annual Financial Statements

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54. Segment information (continued)

Segment surplus or deficit

2024

	Other	Technical services	Community services	Total
Revenue				
Electricity	-	221 801 965	195 841	221 997 806
Fines non-exchange transactions	-	148 032	-	148 032
Grants	264 784 357	81 538 930	2 154 000	348 477 287
Interest received from exchange transactions	6 933 346	54 703 752	12 737 891	74 374 989
Interest received from non-exchange transactions	-	-	24 805 120	24 805 120
Other income	589 824	285 390	1 233 019	2 108 233
Property rates	-	-	103 832 293	103 832 293
Refuse	-	-	40 626 751	40 626 751
Rental of facilities and equipment	-	63 651	52 497	116 148
Waste water	-	57 004 077	-	57 004 077
Water	-	74 687 746	-	74 687 746
Fair value adjustments	97 479 294	-	-	97 479 294
Bulk purchases recovered	115 890 610	-	-	115 890 610
Total segment revenue	**485 677 431**	**490 233 543**	**185 637 412**	**1 161 548 386**
Entity's revenue				**1 161 548 386**

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54. Segment information (continued)

	Other	Technical services	Community services	Total
Expenditure				
Bulk purchases	-	336 781 950	-	336 781 950
Debt impairment	-	243 218 408	-	243 218 408
Depreciation	3 165 734	36 587 926	11 760 844	51 514 504
Employee costs	108 199 468	96 342 886	80 375 372	284 917 726
Finance costs	13 470 165	92 243 904	-	105 714 069
Remuneration of councillors	17 782 015	-	-	17 782 015
Impairment loss	-	7 697 700	-	7 697 700
Loss on disposal of assets	204 766	-	-	204 766
Inventory loss, acturial loss	6 196 212	-	-	6 196 212
Contracted services	23 139 864	27 860 525	-	51 000 389
Repairs and maintenance	300 770	12 950 164	2 200 365	15 451 299
General expenses	50 574 510	59 806 038	5 788 360	116 168 908
Total segment expenditure	**223 033 504**	**913 489 501**	**100 124 941**	**1 236 647 946**
Total segmental surplus/(deficit)				**(75 099 560)**

54. Segment information (continued)

2023

	Other	Technical services	Community services	Total
Revenue				
Electricity	-	208 936 978	195 571	209 132 549
Fines non-exchange transactions	-	41 733	-	41 733
Grants	246 519 524	53 173 512	2 240 000	301 933 036
Interest	3 159 329	41 315 158	27 717 621	72 192 108
Other income	297 413	378 796	2 862 699	3 538 908
Property rates	-	-	96 968 756	96 968 756
Refuse	-	-	40 009 372	40 009 372
Waste water	-	56 397 244	-	56 397 244
Water	-	66 816 193	-	66 816 193
Fair value adjustments, acturial gains and inventory surplus	7 974 519	-	-	7 974 519
Total segment revenue	**257 950 785**	**427 059 614**	**169 994 019**	**855 004 418**
Entity's revenue				**855 004 418**
Expenditure				
Bulk purchases	-	286 130 055	-	286 130 055
Debt impairment	-	202 115 782	-	202 115 782
Depreciation	1 209 705	46 833 631	2 926 244	50 969 580
Employee costs	96 789 881	97 550 519	67 672 044	262 012 444
Finance costs	6 974 011	71 459 371	-	78 433 382
Remuneration of councillors	16 678 658	-	-	16 678 658
Impairment loss	21 866 249	-	-	21 866 249
Loss on disposal of assets	429 455	-	-	429 455
Contracted services	28 161 030	5 413 965	-	33 574 995
Repairs and maintenance	1 830 689	10 658 575	1 427 408	13 916 672
General expenses	37 039 673	74 432 865	5 659 114	117 131 652
Total segment expenditure	**210 979 351**	**794 594 763**	**77 684 810**	**1 083 258 924**
Total segmental surplus/(deficit)				**(228 254 506)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

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

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.