



MAFUBE LOCAL MUNICIPALITY

(Demarcation code: FS205)

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

Mafube Local Municipality

(Demarcation code: FS205)

Audited Annual Financial Statements for the year ended 30 June 2024

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The reports and statements set out below comprise the audited annual financial statements presented to the Auditor General of South Africa:

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Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacement Cost
DoRA	Division of Revenue Act
DTSL	Department of Transport, Safety and Liaison
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IRD	Initial Rate of Deposition
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MPAC	Municipal Public Account Committee
mSCOA	Municipal Standard Chart of Accounts

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MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay-As-You-Earn
PEMA	Post-Employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

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Relevant Legislation:

Constitution of the Republic of South Africa (Act no 108 of 1996)

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

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General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Mafube Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Grading of municipal Council for the upper limits for Councillors	Low capacity municipality
Grading of remuneration of municipal manager and senior managers	Low capacity municipality
Accounting Officer	Adv. M.F Lepheana
Chief Finance Officer (CFO)	Ms D.T Tau Mr GA Mgcina (Acting Resigned Nov 2023)
Registered office	64 JJ Hadebe Street Frankfort Free State 9830
Postal address	PO Box 2 Frankfort Free State 9830
Bankers	ABSA Bank Limited FNB Bank Limited Standard Bank Limited
Auditors	Auditor General - South Africa
Attorneys	Peyper Attorneys Bokwa Attorneys Thoabala Attorneys
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	advlephe@gmail.com
Website	http://www.mafube.fs.gov.za/
Telephone number	058 813 1051/9700/9718

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Audited Annual Financial Statements for the year ended 30 June 2024

Members of the Municipal Council

Mayor

Cllr. TI Motsoeneng

Speaker

Cllr. MM Mofokeng

Ward Councillors

Cllr. TJ Kotsi

Cllr. MP Mokoena

Cllr. SB Ntuli

Cllr. A Tsotetsi

Cllr. MR Tsotetsi

Cllr. TP Mashiloane

Cllr. MA Tsubane

Cllr. AN Molefe

Cllr. SM Steyn

Cllr. FA Tsotetsi

Cllr. WBM Gumede

Cllr. EM Maboya

Cllr. JJ Kumbi

Cllr. TBRJ Van Rensburg

Cllr. JB Marais

Council Committees

Executive Committee

Chairperson:

Cllr. TI Motsoeneng

Members:

Cllr. J Kotsi

Cllr. EM Maboya

Finance Committee

Chairperson:

Cllr. SB Ntuli

Members:

Cllr. M Mokoena

Cllr. F Tsotetsi

Community Services Portfolio

Chairperson:

Cllr. N Molefe

Members:

Cllr. W Gumede

Cllr. J Marais

Infrastructure Portfolio

Chairperson:

Cllr. Tsubane Moabi

Members:

Cllr. J Kumbi

Cllr. T Van Rensburg

Corporate Services Portfolio

Chairperson:

Cllr. P Mashiloane

Members:

Cllr. J Marais

Cllr. F Tsotetsi

Municipal Public Account Committee (MPAC)

Chairperson:

Cllr. M Tsotetsi

Members:

Cllr. S Steyn

Cllr. T Van Rensburg

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The annual financial statements are 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 and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team, external auditors and other oversight governance structures of Council.

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

Accounting Officer's Responsibilities and Approval

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The audited annual financial statements set out on page 13 - 124, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

Adv. M.F Lepheana
Municipal Manager (Accounting Officer)
Mafube Local Municipality
20 March 2025

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

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 performing functions as set out in the constitution (Act no 105 of 1996) and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa

The municipality is a South African category B.

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

Net deficit of the municipality was 149 203 937 (2023: deficit 662 035 577).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of (23 378 554) and that the municipality's total assets exceed its liabilities by (23 378 554).

The audited 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Adv. MF Lepheana

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

7. Corporate governance**General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

8. Bankers

The municipality's primary bank account is with ABSA Bank Limited and FNB Bank Limited and the municipality will continue to bank with them in the new financial year.

9. Auditors

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

10. Public Private Partnership

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

11. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

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Accounting Officer's Report

12. Municipal jurisdiction

Mafube Local Municipality have the following surrounding towns under its jurisdiction:

- Villiers
- Cornelia
- Frankfort
- Tweeling



Adv. M.F Lepheana
Municipal Manager (Accounting Officer)
Mafube Local Municipality
20 March 2025

Certification of Remuneration of Councillors

Declaration by the Accounting Officer

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 46470 dated 02/06/2022. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

Adv. M.F Lepheana
Municipal Manager (Accounting Officer)
Mafube Local Municipality
20 March 2025

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

AUDITED

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
Assets			
Current Assets			
Cash and cash equivalents	4	1 287 313	7 993 750
Inventories	5	1 471 273	1 495 737
Other financial assets	6	378 458	301 258
Receivables from exchange transactions	7	37 008 196	36 102 243
Receivables from non-exchange transactions	8	3 104 196	3 552 633
VAT receivable	10	230 180 371	217 103 970
Total Current Assets		273 429 807	266 549 591
Non-Current Assets			
Other financial assets	6	222 213	258 351
Heritage assets	12	35 758	35 758
Investment property	13	44 812 264	46 365 656
Property, plant and equipment	14	1 069 956 840	1 148 866 688
Total Non-Current Assets		1 115 027 075	1 195 526 453
Total Assets		1 388 456 882	1 462 076 044
Liabilities			
Current Liabilities			
Consumer deposits	15	1 843 090	1 781 886
Employee benefit obligation	16	999 768	1 717 314
Payables from exchange transactions	17	1 160 335 023	1 095 766 462
Provisions	18	4 385 788	3 922 676
Unspent conditional grants and receipts	19	9 898 270	20 511 292
VAT payable	11	163 454 201	145 591 430
Total Current Liabilities		1 340 916 140	1 269 291 060
Non-Current Liabilities			
Employee benefit obligation	16	12 109 291	11 085 396
Provisions	18	58 810 005	55 874 206
Total Non-Current Liabilities		70 919 296	66 959 602
Total Liabilities		1 411 835 436	1 336 250 662
Net Assets		(23 378 554)	125 825 382
Accumulated surplus		(23 378 554)	125 825 382
Total Net Assets		(23 378 554)	125 825 382

* See Note 45

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Audited Annual Financial Statements for the year ended 30 June 2024

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Statement of Financial Performance for the year ended 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
Revenue			
Revenue from exchange transactions			
Interest income	20	72 300 645	55 040 541
Operational revenue	22	6 365 311	8 646 957
Prescribed revenue	23	-	812 400
Rental of facilities and equipment	24	868 252	615 152
Service charges	25	88 092 888	79 965 543
Total revenue from exchange transactions		167 627 096	145 080 593
Revenue from non-exchange transactions			
Taxation revenue			
Interest - Taxation revenue	21	9 840 338	6 900 483
Property rates	26	30 574 653	25 358 136
Transfer revenue			
Fines, Penalties and Forfeits	27	1 850	142 500
Government grants and subsidies	28	146 450 022	163 110 356
Public contributions and donations	29	3 277 581	12 785 526
Department of Water and Sanitation billing adjustment	31	82 154 265	-
Total revenue from non-exchange transactions		272 298 709	208 297 001
Total revenue		439 925 805	353 377 594
Expenditure			
Bulk purchases	30	(37 693 344)	(29 421 849)
Debt impairment	32	(187 535 111)	(658 142 048)
Depreciation and amortisation	33	(62 757 408)	(67 903 211)
Employee related costs	34	(109 439 922)	(109 824 347)
Finance costs	35	(86 939 886)	(67 388 549)
General expenses	36	(64 360 838)	(71 591 491)
Remuneration of councillors	37	(6 678 265)	(6 349 850)
Total expenditure		(555 404 774)	(1 010 621 345)
Operating deficit		(115 478 969)	(657 243 751)
Loss on disposal of assets and liabilities	14	(6 256 661)	(454 434)
Actuarial gains	16	(236 545)	1 925 320
Fair value adjustments	39	(1 553 391)	864 522
Reversal of impairments/(Impairment loss)	38	(25 625 990)	(7 375 245)
Inventories losses/write-downs		(52 381)	248 011
Deficit for the year		(149 203 937)	(662 035 577)

* See Note 45

Statement of Changes in Net Assets for the year ended 30 June 2024

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	250 431 234	250 431 234
Adjustments		
Prior year adjustments 45	537 429 725	537 429 725
Balance at 01 July 2022 as restated*	787 860 959	787 860 959
Changes in net assets		
Deficit for the year	(662 035 577)	(662 035 577)
Total changes	(662 035 577)	(662 035 577)
Opening balance as previously reported	135 310 209	135 310 209
Adjustments		
Prior year adjustments 45	(9 484 826)	(9 484 826)
Restated* Balance at 01 July 2023 as restated*	125 825 383	125 825 383
Changes in net assets		
Deficit for the year	(149 203 937)	(149 203 937)
Total changes	(149 203 937)	(149 203 937)
Balance at 30 June 2024	(23 378 554)	(23 378 554)
Note(s)		

* See Note 45

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Audited Annual Financial Statements for the year ended 30 June 2024

AUDITED

Cash Flow Statement for the year ended 30 June 2024

Figures in Rand	Note(s)	2024	2023 <i>Restated*</i>
Cash flows from operating activities			
Receipts			
Taxation		40 863 428	51 557 153
Sale of goods and services		254 240 128	655 899 017
Grants		135 837 000	164 163 000
Interest income		698 416	558 374
		431 638 972	872 177 544
Payments			
Employee costs		(86 575 704)	(106 655 113)
Suppliers		(351 266 204)	(758 185 452)
		(437 841 908)	(864 840 565)
Net cash flows from operating activities	41	(6 202 936)	7 336 979
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(1 201 844)	(1 324 566)
Proceeds from sale of property, plant and equipment	14	739 400	-
Proceeds from sale of financial assets		(41 062)	(23 421)
Net cash flows from investing activities		(503 506)	(1 347 987)
Net increase/(decrease) in cash and cash equivalents		(6 706 442)	5 988 992
Cash and cash equivalents at the beginning of the year		7 993 750	2 004 758
Cash and cash equivalents at the end of the year	4	1 287 308	7 993 750

* See Note 45

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Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2024

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	45 305 042	10 039 000	55 344 042	72 300 645	16 956 603	Note 60.4
Other income - (rollup)	-	-	-	6 365 311	6 365 311	Note 60.3
Rental of facilities and equipment	6 891 834	228 122	7 119 956	868 252	(6 251 704)	Note 60.2
Service charges	73 414 138	18 674 015	92 088 153	88 092 888	(3 995 265)	Note 60.1
Total revenue from exchange transactions	125 611 014	28 941 137	154 552 151	167 627 096	13 074 945	
Revenue from non-exchange transactions						
Taxation revenue						
Interest - Taxation revenue	-	-	-	9 840 338	9 840 338	Note 60.6
Property rates	25 077 836	5 212 732	30 290 568	30 574 653	284 085	
Transfer revenue						
Fines, Penalties and Forfeits	130 925	(127 754)	3 171	1 850	(1 321)	Note 60.9
Government grants and subsidies	132 281 000	-	132 281 000	131 522 000	(759 000)	Note 60.7
Public contributions and donations	-	-	-	3 277 581	3 277 581	Note 60.8
Department of Water and Sanitation billing adjustment	-	-	-	82 154 265	82 154 265	Note 60.10
Total revenue from non-exchange transactions	157 489 761	5 084 978	162 574 739	257 370 687	94 795 948	
Total revenue	283 100 775	34 026 115	317 126 890	424 997 783	107 870 893	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Expenditure						
Bad debts written off	(9 264 735)	(11 466 619)	(20 731 354)	(3 402 600)	17 328 754	Note 60.18
Bulk purchases	(10 734 500)	-	(10 734 500)	(37 693 344)	(26 958 844)	Note 60.19
Debt impairment	-	-	-	(184 132 511)	(184 132 511)	Note 60.17
Depreciation and amortisation	(27 797 679)	(12 202 321)	(40 000 000)	(62 757 408)	(22 757 408)	Note 60.14
Employee related costs	(117 872 735)	13 398 939	(104 473 796)	(109 439 922)	(4 966 126)	Note 60.11
Finance costs	(25 000 000)	(20 000 000)	(45 000 000)	(86 939 886)	(41 939 886)	Note 60.16
General expenses	(60 336 230)	(3 803 427)	(64 139 657)	(64 360 838)	(221 181)	
Remuneration of councillors	(6 625 780)	(1 058 916)	(7 684 696)	(6 678 265)	1 006 431	Note 60.12
Other Losses	(500 000)	-	(500 000)	-	500 000	Note 60.13
Transfers and Subsidies	45 228 437	(8 745 000)	36 483 437	14 928 022	(21 555 415)	Note 60.20
Total expenditure	(212 903 222)	(43 877 344)	(256 780 566)	(540 476 752)	(283 696 186)	
Operating deficit	70 197 553	(9 851 229)	60 346 324	(115 478 969)	(175 825 293)	
Actuarial gains	-	-	-	(236 545)	(236 545)	Note 60.42
Fair value adjustments	-	-	-	(1 553 391)	(1 553 391)	Note 60.22
Loss on disposal of assets and liabilities	-	-	-	(6 256 661)	(6 256 661)	Note 60.21
Impairment loss/ Reversal of impairments	-	-	-	(25 625 990)	(25 625 990)	Note 60.15
Inventories losses/write-downs	-	-	-	(52 381)	(52 381)	Note 60.23
	-	-	-	(33 724 968)	(33 724 968)	
Surplus/(deficit) for the year	70 197 553	(9 851 229)	60 346 324	(149 203 937)	(209 550 261)	

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Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	57 173 443	-	57 173 443	1 287 313	(55 886 130)	Note 60.28
Inventories	477 164	-	477 164	1 471 273	994 109	Note 60.24
Other financial assets	-	-	-	378 458	378 458	Note 60.25
Receivables from exchange transactions	51 303 745	-	51 303 745	37 008 196	(14 295 549)	Note 60.26
Receivables from non-exchange transactions	(25 598 856)	-	(25 598 856)	3 104 196	28 703 052	Note 60.27
Total current assets	83 355 496	-	83 355 496	43 249 436	(40 106 060)	

Non-Current Assets

Heritage assets	35 757	-	35 757	35 758	1	
Intangible assets	2 500 000	(1 500 000)	1 000 000	-	(1 000 000)	Note 60.31
Investment property	76 875 883	-	76 875 883	44 812 264	(32 063 619)	Note 60.29
Other financial assets	444 500	-	444 500	222 213	(222 287)	Note 60.32
Property, plant and equipment	959 511 826	-	959 511 826	1 069 956 840	110 445 014	Note 60.30
Total non-current assets	1 039 367 966	(1 500 000)	1 037 867 966	1 115 027 075	77 159 109	
Total Assets	1 122 723 462	(1 500 000)	1 121 223 462	1 158 276 511	37 053 049	

Liabilities

Current Liabilities

Consumer deposits	565 972	-	565 972	1 843 090	1 277 118	Note 60.34
Employee benefit obligation	-	-	-	999 768	999 768	Note 60.35
Payables from exchange transactions	(20 295 366)	-	(20 295 366)	1 160 335 024	1 180 630 390	Note 60.33
Provisions	2 433 393	-	2 433 393	4 385 788	1 952 395	Note 60.37
Unspent conditional grants and receipts	13 658 100	-	13 658 100	9 898 270	(3 759 830)	Note 60.36
VAT payable	4 206 011	-	4 206 011	-	(4 206 011)	
Total current liabilities	568 110	-	568 110	1 177 461 940	1 176 893 830	

Mafube Local Municipality

(Registration number FS205)

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Non-Current Liabilities						
Employee benefit obligation	-	-	-	12 109 291	12 109 291	Note 60.39
Provisions	14 497 266	-	14 497 266	58 810 005	44 312 739	Note 60.40
Total non-current liabilities	14 497 266	-	14 497 266	70 919 296	56 422 030	
Total Liabilities	15 065 376	-	15 065 376	1 248 381 236	1 233 315 860	
Net Assets	1 107 658 086	(1 500 000)	1 106 158 086	(90 104 725)	(1 196 262 811)	
Net Assets						
Accumulated surplus	1 107 658 086	(1 500 000)	1 106 158 086	(23 378 554)	(1 129 536 640)	Note 60.41

Refer to note 59 for budget difference deviations.

The accounting policies on pages 21 to 49 and the notes on pages 50 to 124 form an integral part of the audited annual financial statements.

Accounting Policies for the year ended 30 June 2024

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

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

1.1 Basis of preparations

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.5 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

The impairment for trade receivables is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock 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 inventory note.

Fair value estimation

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

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

Impairment testing

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

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 18.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and Investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 16.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

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 others 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. 41):

- 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 municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

A segment is an activity of an entity:

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

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

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to management.

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.

Interest on exchange and non exchange assets

In applying GRAP 104, GRAP 9 and GRAP 23 interest earned should be split based on the nature of the source of revenue, i.e., exchange and non-exchange. The financial system calculates interest on total debt outstanding monthly (Total balance due less interest charged not settled). Therefor interest is billed on total due (capital only amount). Management therefor to comply with the split on exchange and non-exchange calculates the total debt outstanding per source of revenue and then uses that to split interest earned between exchange and non-exchange transactions.

1.6 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at fair value. 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.

Accounting Policies

1.6 Investment property (continued)

Fair value

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

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

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

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

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

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

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 13). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 13). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

1.7 Property, plant and equipment

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

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Accounting Policies**1.7 Property, plant and equipment (continued)**

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

Item	Depreciation method	Average useful life
Immovable assets		
Buildings	Diminishing method	balance 15 - 50 years
Community	Diminishing method	balance 15 - 50 years
Infrastructure - Electricity network	Diminishing method	balance 15 - 50 years
Infrastructure - Roads network	Diminishing method	balance 15 - 50 years
Infrastructure - Solid waste network	Diminishing method	balance 15 - 50 years
Infrastructure - Water network	Diminishing method	balance 15 - 80 years
Land	Diminishing method	balance Indefinite
Landfill Sites	Diminishing method	balance 4 - 49 years
Movable assets		
Computer equipment	Diminishing method	balance 5 - 15 years
Furniture and fixtures	Diminishing method	balance 5 - 15 years
Motor vehicles	Diminishing method	balance 5 - 15 years
Plant and machinery	Diminishing method	balance 5 - 20 years

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.9 Heritage assets

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

Accounting Policies

1.9 Heritage assets (continued)

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

1.10 Financial instruments

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

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

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

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

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

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 municipality 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 municipality 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 municipality; or

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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 municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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 municipality 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 municipality 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.

Accounting Policies

1.10 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
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

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
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Accounting Policies

1.11 Statutory receivables (continued)

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.

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.

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks 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.

Accounting Policies

1.11 Statutory receivables (continued)

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.

1.12 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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.

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Accounting Policies

1.13 Inventories (continued)

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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;

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

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

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

The cost of inventories 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.

Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Accounting Policies

1.14 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.16 Impairment of cash and non-cash-generating assets

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

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

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

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.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows:

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

Designation

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

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

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

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

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

Accounting Policies

1.16 Impairment of cash and non-cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

1.16 Impairment of cash and non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

Accounting Policies

1.17 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, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; 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 municipality during a reporting period, the municipality recognise 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 municipality recognise 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 16.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

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

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;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

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.

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

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 .

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.

1.19 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments inclusive of VAT.

1.20 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. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest

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

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

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

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

1.21 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

Unconditional Grants

Equitable share allocations are recognised in revenue in the beginning of the financial year.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Availability charges

The municipality recognise revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

Fines

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

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.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

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

Bequests

Bequests that satisfy the definition of an asset 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.

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

Unallocated deposit

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

1.22 Investment income

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

1.23 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.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 2017/07/01. The effective date of the amendments was 2020/04/01.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

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Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.24 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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.

Accounting Policies

1.27 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.

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.28 Irregular expenditure

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

Irregular expenditure is disclosed exclusive of VAT.

1.29 Consumer deposits

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

1.30 Offsetting

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

1.31 Segment information

A segment is an activity of an entity:

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

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.

1.32 Budget information

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

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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 accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.32 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

1.33 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.

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.

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

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

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

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

1.34 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.

1.35 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

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Accounting Policies

1.36 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.37 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax.

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and

- Receivables and payables that are stated with the amount VAT included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.38 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

Notes to the Audited Annual Financial Statements for the year ended 30 June 2024

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2025	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	1 287 313	1 287 313
Receivables from exchange transactions	37 008 196	37 008 196
	38 295 509	38 295 509

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 843 090	1 843 090
Payables from exchange transactions	1 160 335 023	1 160 335 023
	1 162 178 113	1 162 178 113

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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3. Financial instruments disclosure (continued)
2023
Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 993 750	7 993 750
Receivables from exchange transactions	36 102 243	36 102 243
	44 095 993	44 095 993

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 781 886	1 781 886
Payables from exchange transactions	1 095 766 462	1 095 766 462
	1 097 548 348	1 097 548 348

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	307 881	474 647
Short-term deposits	979 432	7 519 103
	1 287 313	7 993 750

The total amount of undrawn facilities available for future operating activities and commitments

1 287 313 7 993 750

1 287 313 7 993 750

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
Current accounts						
ABSA Bank - Cheque Account - 4052823517	183 526	351 641	25 797	308 609	474 293	148 350
First National Bank - ChequeAccount - 62817361679	(728)	355	(222)	(728)	355	(222)
Short-term Investments						
ABSA Bank - Call Account - 9090111270	1 026	2 251	972 770	1 026	2 251	972 770
ABSA - Call Account - 9229618782	1 140	1 993 483	11 210	1 140	1 993 483	11 210
ABSA Bank - Call Account - 9232387538	1 028	2 771	611	1 028	2 771	611
First National Bank - CallAccount - 62817394901	880 543	879 974	871 667	880 543	879 974	871 667
First National Bank - CallAccount - 62850214778	17 749	4 640 625	372	17 749	4 640 625	372
Standard Bank - 08 882 956 1 - 003	3 443	-	-	3 443	-	-
Standard Bank - 08 882 956 1 - 001	74 504	-	-	74 504	-	-
Total	1 162 230	7 871 100	1 882 205	1 287 313	7 993 751	2 004 758

5. Inventories

Consumable stores	734 520	903 572
Water for distribution	736 753	592 165
	1 471 273	1 495 737

Water for distribution

Opening balance	592 165	430 116
Water Purchased	30 579 814	28 058 278
Chemicals used in purification	5 541 071	6 387 153
Cost of water sold	(36 120 885)	(34 445 431)
Inventories adjustment / movement	144 589	162 048

Closing balance 736 753 592 165

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
6. Other financial assets		
At amortised cost		
VKB Agriculture Limited - Member Funds	222 213	258 351
The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.		
VKB Agriculture Limited - Membership	84 335	84 335
The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.		
VKB Agriculture Limited - Security member loan	133 863	82 199
When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan is payable on demand after settling any outstanding balance on the trading account.		
VKB Agriculture Limited - Short term member loan	160 260	134 724
The member loan bears interest and is available on demand.		
	600 671	559 609
Non-current assets		
At amortised cost	222 213	258 351
Current assets		
At amortised cost	378 458	301 258
	378 458	301 258

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
7. Receivables from exchange transactions		
Gross balances		
Other receivables - Overpayment of Salaries	4 320 330	4 320 330
Other receivable - Rural Maintenance	25 223 542	21 210 013
Sundry debtors	(45 532)	167 337
Other debtors	8 800	8 800
Consumer debtors - Electricity	6 425 004	6 160 520
Consumer debtors - Water	493 841 495	419 382 541
Consumer debtors - Sewerage	319 917 956	273 875 722
Consumer debtors - Refuse	209 364 784	175 909 608
Consumer debtors - Sundry	27 086 748	22 338 941
	1 086 143 127	923 373 812
Less: Allowance for impairment		
Other receivables - Overpayment of Salaries	(1 923 791)	(1 923 791)
Consumer debtors - Electricity	(6 297 461)	(6 071 213)
Consumer debtors - Water	(488 139 494)	(411 460 436)
Consumer debtors - Sewerage	(317 772 320)	(271 438 623)
Consumer debtors - Refuse	(208 210 061)	(174 570 040)
Consumer debtors - Sundry	(26 791 804)	(21 807 466)
	(1 049 134 931)	(887 271 569)
Net balance		
Other receivables - Overpayment of Salaries	2 396 539	2 396 539
Other receivable - Rural Maintenance	25 223 542	21 210 013
Sundry debtors	(45 532)	167 337
Other debtors	8 800	8 800
Consumer debtors - Electricity	127 543	89 307
Consumer debtors - Water	5 702 001	7 922 105
Consumer debtors - Sewerage	2 145 636	2 437 099
Consumer debtors - Refuse	1 154 723	1 339 568
Consumer debtors - Sundry	294 944	531 475
	37 008 196	36 102 243
Electricity		
Current (0 -30 days)	47 122	42 599
31 - 60 days	23 571	21 300
61 - 90 days	23 571	21 300
91 - 120 days	23 571	21 300
120+ Days	6 307 170	6 054 021
Impairment	(6 297 461)	(6 071 213)
	127 543	89 307

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Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
7. Receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	14 870 594	15 165 690
31 - 60 days	9 944 763	10 754 470
61 - 90 days	6 780 640	16 136 576
91 - 120 days	7 815 719	9 741 203
120+ Days	454 429 778	367 584 602
Impairment	(488 139 494)	(411 460 436)
	5 702 001	7 922 105
Sewerage		
Current (0 -30 days)	8 485 183	7 337 663
31 - 60 days	4 159 434	3 608 158
61 - 90 days	4 151 580	3 588 304
91 - 120 days	4 118 284	3 564 119
120+ Days	299 003 474	255 777 477
Impairment	(317 772 320)	(271 438 623)
	2 145 636	2 437 099
Refuse		
Current (0 -30 days)	6 066 135	6 017 856
31 - 60 days	2 981 197	2 493 342
61 - 90 days	2 972 216	2 477 133
91 - 120 days	2 945 784	2 459 361
120+ Days	194 399 453	162 461 916
Impairment	(208 210 061)	(174 570 040)
	1 154 723	1 339 568
Sundry debtors		
Current (0 -30 days)	892 488	753 341
31 - 60 days	426 137	365 800
61 - 90 days	424 230	361 778
91 - 120 days	418 608	359 565
120+ Days	24 925 286	20 498 457
Impairment	(26 791 804)	(21 807 466)
	294 944	531 475

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
7. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential / Consumers		
Current (0 -30 days)	30 361 523	29 317 149
31 - 60 days	17 535 103	17 243 070
61 - 90 days	14 352 237	22 585 091
91 - 120 days	15 321 965	16 145 548
120+ Days	979 065 160	812 376 474
	1 056 635 987	897 667 331
Less: Allowance for impairment	(1 047 211 140)	(885 347 777)
	9 424 847	12 319 554
Total		
Current (0 -30 days)	30 361 523	29 317 149
31 - 60 days	17 535 103	17 243 070
61 - 90 days	14 352 237	22 585 091
91 - 120 days	15 321 965	16 145 548
120+ Days	979 065 160	812 376 474
	1 056 635 987	897 667 331
Less: Allowance for impairment	(1 047 211 141)	(885 347 777)
	9 424 847	12 319 554
Reconciliation of allowance for impairment		
Balance at beginning of the year	(887 271 569)	(255 350 102)
Contributions to allowance	(159 939 572)	(631 921 467)
	(1 047 211 140)	(887 271 569)
Receivables from exchange transactions pledged as security		
No Trade and other receivables from exchange transactions were pledged as security.		
Credit quality of trade and other receivables from exchange		
The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Fair value of receivables from exchange transactions		
Trade and other receivables from exchange	37 008 195	36 102 244

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
8. Receivables from non-exchange transactions		
Gross balances		
Property rates	132 069 352	110 248 640
Less: Allowance for impairment		
Property rates	(128 965 156)	(106 696 007)
Net balance		
Property rates	3 104 196	3 552 633
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	-	-
Government grants and subsidies	-	-
Property rates	3 104 196	3 552 633
	3 104 196	3 552 633
Total receivables from non-exchange transactions	3 104 196	3 552 633
Property rates		
Current (0 -30 days)	5 931 487	5 464 781
31 - 60 days	2 669 597	2 270 004
61 - 90 days	2 629 396	2 208 422
91 - 120 days	2 676 820	2 174 720
120+ Days	118 162 052	98 130 713
Impairment	(128 965 156)	(106 696 007)
	3 104 196	3 552 633

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
8. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Residential / Consumers		
Current (0 -30 days)	5 931 487	5 464 781
31 - 60 days	2 669 597	2 270 004
61 - 90 days	2 629 396	2 208 422
91 - 120 days	2 676 820	2 174 720
120+ Days	118 162 052	98 130 713
	132 069 352	110 248 640
Less: Allowance for impairment	(128 965 156)	(106 696 007)
	3 104 196	3 552 633
Total		
Current (0 -30 days)	5 931 487	5 464 781
31 - 60 days	2 669 597	2 270 004
61 - 90 days	2 629 396	2 208 422
91 - 120 days	2 676 820	2 174 720
120+ Days	118 162 052	98 130 713
	132 069 352	110 248 640
Less: Allowance for impairment	(128 965 156)	(106 696 007)
	3 104 196	3 552 633
Reconciliation of allowance for impairment		
Balance at beginning of the year	(106 696 007)	(73 894 748)
Contributions to allowance	(22 269 149)	(32 801 259)
	(128 965 156)	(106 696 007)

Receivables from non-exchange transactions pledged as security

No Trade and other receivables from non-exchange transactions were pledged as security.

Credit quality of trade and other receivables from non-exchange

The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from non-exchange transactions

Trade and other receivables from non-exchange	3 104 196	3 552 633
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Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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9. Statutory receivables

The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Statutory receivables included in the Statement of Financial Position under VAT Receivable

VAT (Payable) / Receivable

Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property rates	3 104 196	3 552 633
	3 104 196	3 552 633

Provision for impairment included under receivables from non-exchange transactions:

Property rates	(128 965 156)	(106 696 007)
	(128 965 156)	(106 696 007)

Factors the entity considered in assessing statutory receivables impaired

A payment ratio analysis report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these statutory receivables.

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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9. Statutory receivables (continued)

Traffic fines: Additional charges includes contempt of court fees/ warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT Receivable, balance expected to be fully recoverable.

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
10. VAT receivable		
VAT Input Accrual	230 180 371	217 103 970
VAT Receivable and VAT Payable are exchange transactions		
Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).		
VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 9.		
VAT is (payable)/receivable on the cash basis.		
11. VAT payable		
VAT Control	21 163 742	17 626 797
VAT Output Accrual [on Receivables]	142 290 459	127 964 633
	163 454 201	145 591 430

VAT Receivable and VAT Payable are exchange transactions.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is (payable)/receivable on the cash basis.

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

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Notes to the Audited Annual Financial Statements

Figures in Rand

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Jewellery	35 758	-	35 758	35 758	-	35 758

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral Jewellery	35 758	35 758

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral Jewellery	35 758	35 758

Pledged as security

Heritage assets has not been pledged as security.

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Audited Annual Financial Statements for the year ended 30 June 2024

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Notes to the Audited Annual Financial Statements

Figures in Rand

13. Investment property

	2024	2023
	Fair Value	Fair Value
Investment property	44 812 264	46 365 656
Total	44 812 264	46 365 656

Reconciliation of investment property - 2024

	Opening balance	Transfers from Zero Value Register	Transfers to Zero Value Register	Fair value adjustments	Total
Investment property	46 365 656	98 405	(1 883 626)	231 828	44 812 264
	46 365 656	98 405	(1 883 626)	231 828	44 812 264

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	45 501 134	864 522	46 365 656
	45 501 134	864 522	46 365 656

Pledged as security

No investment properties has been pledged as security for liabilities.

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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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13. Investment property (continued)**Details of valuation**

The effective date of the revaluations was 30 June 2024. Revaluations were performed by Municipex (Pty) Ltd. Mr PH Venter was the valuer at Municipex (Pty) Ltd to perform the valuations. Mr 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.

These assumptions are based on current market conditions.

Legal ownership

.16 The right to direct access to land, and to restrict or deny the access of others to land .20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

Derecognise

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity's currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Landfill site asset	44 005 960	(17 389 160)	26 616 800	44 992 837	(15 015 454)	29 977 383
Buildings	113 877 237	(56 306 205)	57 571 032	113 879 060	(38 866 598)	75 012 462
Community	75 600 749	(45 900 102)	29 700 647	75 600 749	(35 762 909)	39 837 840
Infrastructure - Electricity network	169 806 359	(81 843 279)	87 963 080	180 272 315	(81 362 373)	98 909 942
Infrastructure - Road network	183 466 963	(99 528 571)	83 938 392	183 503 800	(91 303 582)	92 200 218
Infrastructure - Water network	229 641 006	(72 494 963)	157 146 043	232 768 942	(60 583 840)	172 185 102
Land	159 836 898	-	159 836 898	159 836 898	-	159 836 898
Infrastructure - Wastewater network	579 927 255	(187 323 598)	392 603 657	584 303 308	(164 789 573)	419 513 735
Work in Progress	63 774 617	-	63 774 617	47 519 968	-	47 519 968
Movable assets						
Computer equipment	1 713 456	(1 318 252)	395 204	2 075 098	(1 597 387)	477 711
Motor vehicles	19 622 520	(11 052 152)	8 570 368	27 757 632	(16 644 627)	11 113 005
Office equipment	1 127 937	(773 269)	354 668	1 131 801	(761 666)	370 135
Plant and machinery	4 229 317	(2 743 883)	1 485 434	4 493 064	(2 580 775)	1 912 289
Total	1 646 630 274	(576 673 434)	1 069 956 840	1 658 135 472	(509 268 784)	1 148 866 688

Mafube Local Municipality

(Registration number FS205)

Audited Annual Financial Statements for the year ended 30 June 2024

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Work in Progress - Additions	Other changes, movements	Depreciation	Impairment loss	Total
Immovable assets								
Landfill site asset	29 977 383	-	-	-	(986 877)	(2 373 706)	-	26 616 800
Buildings	75 012 462	19 379	(13 642)	-	-	(3 842 507)	(13 604 660)	57 571 032
Community	39 837 840	-	-	-	-	(2 744 122)	(7 393 071)	29 700 647
Infrastructure - Electricity Network	98 909 942	-	(2 901 228)	-	-	(6 485 213)	(1 560 421)	87 963 080
Infrastructure - Road network	92 200 218	-	(9 335)	-	-	(8 203 240)	(49 251)	83 938 392
Infrastructure - Water network	172 185 102	284 920	(1 686 881)	-	-	(11 671 869)	(1 965 229)	157 146 043
Land	159 836 898	-	-	-	-	-	-	159 836 898
Infrastructure - Wastewater network	419 513 735	-	(783 331)	-	-	(25 614 106)	(512 641)	392 603 657
Work-in-Progress	47 519 968	-	-	16 254 649	-	-	-	63 774 617
Movable assets								
IT equipment	477 711	145 888	(74 510)	-	-	(109 501)	(44 384)	395 204
Motor vehicles	11 113 005	686 627	(1 431 417)	-	-	(1 404 427)	(393 420)	8 570 368
Office equipment	370 135	33 600	(7 402)	-	-	(39 552)	(2 113)	354 668
Plant and machinery	1 912 289	31 430	(88 315)	-	-	(269 165)	(100 805)	1 485 434
	1 148 866 688	1 201 844	(6 996 061)	16 254 649	(986 877)	(62 757 408)	(25 625 995)	1 069 956 840

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets										
Landfill site asset	31 198 891	-	-	-	-	1 101 920	(2 323 428)	-	-	29 977 383
Buildings	77 267 563	5 850	-	-	923 307	-	(4 078 867)	(71 649)	966 258	75 012 462
Community Infrastructure - Electricity network	41 000 029	-	(6 847)	-	1 088 978	-	(2 936 465)	(600 879)	1 293 024	39 837 840
Infrastructure - Road network	99 451 140	-	(67 248)	-	10 516 911	-	(7 018 817)	(4 018 427)	46 383	98 909 942
Infrastructure - Water network	101 309 277	-	-	-	-	-	(9 089 503)	(27 402)	7 846	92 200 218
Land	181 330 550	1 084 483	(130 372)	-	3 093 715	-	(12 513 735)	(860 608)	181 069	172 185 102
Infrastructure - Wastewater network	159 836 898	-	-	-	-	-	-	-	-	159 836 898
Infrastructure - Wastewater network	451 923 632	-	(102 176)	-	-	-	(27 619 949)	(4 917 800)	230 028	419 513 735
Work-in-Progress	19 675 015	-	-	39 539 595	(11 694 642)	-	-	-	-	47 519 968
Movable assets										
IT equipment	618 698	8 150	(9 757)	-	-	-	(162 784)	(8 420)	31 824	477 711
Motor vehicles	12 650 909	-	(107 729)	-	-	-	(1 800 276)	(158 578)	528 679	11 113 005
Office equipment	357 462	41 340	(4 830)	-	-	-	(34 165)	(2 399)	12 727	370 135
Plant and machinery	2 085 159	184 743	(25 474)	-	-	-	(325 222)	(47 766)	40 849	1 912 289
	1 178 705 223	1 324 566	(454 433)	39 539 595	3 928 269	1 101 920	(67 903 211)	(10 713 928)	3 338 687	1 148 866 688

Pledged as security

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
14. 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		
Infrastructure - Road network	3 435 634	1 320 420
Community	243 123	-
Infrastructure - Electricity network	7 222 062	5 187 894
Infrastructure - Water network	52 873 799	41 011 654
	63 774 617	47 519 968

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Opening balance	Additions / capital expenditure	Total
Infrastructure - Road network	1 320 420	2 115 214	3 435 634
Community	-	243 123	243 123
Infrastructure - Electricity network	5 187 894	2 034 168	7 222 062
Infrastructure - Water network	41 011 654	11 862 144	52 873 799
	47 519 968	16 254 649	63 774 618

Reconciliation of Work-in-Progress 2023

	Opening balance	Additions / capital expenditure	Transferred to repairs and maintenance	Transferred to completed items	Total
Infrastructure - Road network	-	1 320 420	-	-	1 320 420
Community	126 110	1 051 519	(88 651)	(1 088 978)	-
Infrastructure - Electricity network	7 865 976	6 668 485	(537 685)	(8 808 881)	5 187 894
Infrastructure - Water network	11 682 930	30 478 216	(1 149 491)	-	41 011 654
	19 675 015	39 518 639	(1 775 828)	(9 897 859)	47 519 968

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	3 713 639	4 532 528
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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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
15. Consumer deposits		
Water	1 843 090	1 781 886
	1 843 090	1 781 886
No guarantees held in lieu of electricity and water deposits.		
Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.		
No interest accrues on consumer deposits.		
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current employee benefits		
Post-Retirement Medical Aid benefits	5 743 679	5 376 187
Long-service awards benefits	6 365 612	5 709 209
	12 109 291	11 085 396
Current employee benefits		
Post-Retirement Medical Aid benefits	625 476	610 991
Long-service awards benefits	374 292	1 106 323
	999 768	1 717 314
Total employee benefits		
Post-Retirement Medical Aid benefits	6 369 155	5 987 178
Long-service awards benefits	6 739 904	6 815 532
	13 109 059	12 802 710
Non-current liabilities	12 109 291	11 085 396
Current liabilities	999 768	1 717 314
	13 109 059	12 802 710

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefit obligations (continued)**Post employment health care benefits**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Continuation members (Retirees)	13	14
In service employees (Non-members)	125	116
Total members	138	130

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas

Hosmed

Samwumed

The liability in respect of past service has been estimated as follow:

Continuation members (Retirees)	6 369 155	5 987 178
Total liability	6 369 155	5 987 178
Non-current	5 743 679	5 376 187
Current	625 476	610 991
	6 369 155	5 987 178

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Rates of interest

Discount rate	10.89 %	11.23 %
Health care cost inflation rate	6.66 %	7.19 %
Net effective discount rate	3.97 %	3.77 %

Normal retirement age

The average retirement age for all active employees was assumed to be 65 years.

Notes to the Audited Annual Financial Statements

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

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	6 369 155	5 987 178
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Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost	-	-
Interest cost	638 271	665 241
Actuarial (gain) recognised in the year	354 697	(57 217)
	992 968	608 024

Movements in the present value of the defined benefit obligation

Opening balance	5 987 178	5 954 172
Current service cost	-	-
Interest cost	638 271	665 241
Actual employer benefit payments	(610 991)	(575 018)
Actuarial (gain) recognised in the year	354 697	(57 217)
Present value of fund obligation at the end of the year	6 369 155	5 987 178

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

Present value of unfunded defined benefit

2024	6 369 155
2023	5 987 178
2022	5 954 172
2021	7 998 709
2020	7 740 719

Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Interest cost	1 %	690 966	8.26 %
Interest cost	-1 %	591 013	-7.40 %

Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Interest cost	1 %	648 854	1.66 %
Interest cost	-1 %	625 071	-2.07 %

Notes to the Audited Annual Financial Statements

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

Discount rate: GRAP25 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 of the obligation. The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 6.72 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10.89% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.97% per annum, implying an underlying expectation of inflation of 5.16% per annum ($[1 + 10.89\% - 0.5\%] / [1 + 5.16\%] - 1$). A healthcare cost inflation rate of 6.66% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary. However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.97% per annum ($[1 + 10.89\%] / [1 + 6.66\%] - 1$). This year's valuation basis is consistent with the previous year's basis from a discount rate perspective.

Mortality Rates

PA (90) - 2 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2024.

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Accrued Liability	(6 369 155)	5 987 178	(5 954 172)	(7 998 709)	(7 740 719)
Surplus / (Deficit)	6 369 155	(5 987 178)	5 954 172	7 998 709	7 740 719

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Liabilities: (Gain) / Loss	354 697	(57 217)	(1 993 937)	348 028	688 252
	354 697	(57 217)	(1 993 937)	348 028	688 252

Long-service awards benefits

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 322 (2023: 327) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	10.28 %	10.60 %
General Salary inflation	5.77 %	6.32 %
Net effective discount rate	4.26 %	4.03 %

Notes to the Audited Annual Financial Statements

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

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

Present value of unfunded obligations	6 739 904	6 815 532
---------------------------------------	-----------	-----------

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost	484 844	601 496
Interest cost	664 003	747 806
Actuarial losses / (gains) recognised	(118 152)	(1 868 103)

Total expense included in employee related costs	1 030 695	(518 801)
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Opening balance	6 815 532	7 882 906
Current service cost	484 844	601 496
Interest cost	664 003	747 806
Actual employer benefit payments	(1 106 323)	(548 573)
Actuarial loss/ (gain) recognised in the year	(118 152)	(1 868 103)
	6 739 904	6 815 532

Liability History	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Accrued Liability	(6 739 904)	(6 815 532)	(7 882 906)	(7 172 479)	(6 033 539)
Surplus / (Deficit)	6 739 904	6 815 532	7 882 906	7 172 479	6 033 539

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2024/06/30	2023/06/30	2022/06/30	2021/06/30	2020/06/30
Liabilities: (Gain) / Loss	(118 152)	(1 868 103)	(321 541)	(1 127 776)	50 721
	118 152	1 868 103	321 541	1 127 776	(50 721)

17. Payables from exchange transactions

AGSA	13 914 453	11 878 481
Accrued bonus	2 720 063	2 697 493
Accrued leave pay	12 369 963	9 331 807
Bulk electricity	125 245 351	124 038 538
Bulk water	521 543 050	516 249 163
Insurance contributions not yet paid over	3 593 039	1 954 317
Medical aid contributions not yet paid over	2 864 568	3 000 346
PAYE contributions not yet paid over	4 149 663	(10 110)
Payments received in advanced - contract in process	10 796 617	5 670 235
Pensions contributions not yet paid over	239 703 912	213 705 897
Retentions	8 407 207	7 061 720
SDL contributions not yet paid over	289 264	70 658
Salaries accrued for(only paid after year end)	6 157 612	10 838 982
Trade payables	204 438 403	185 682 856
UIF contributions not yet paid over	468 235	109 340
Unallocated receipts and deposits	72 402	42 879
Unions & maintenance contributions not yet paid over	3 601 221	3 443 860
	1 160 335 023	1 095 766 462

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
17. Payables from exchange transactions (continued)		
Fair value of trade and other payables		
Trade payables	1 160 335 023	1 095 766 462
	1 160 335 023	1 095 766 462

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Refer to note 45 for prior period corrections made to Payables from exchange transactions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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18. Provisions
Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	59 796 882	(986 877)	4 385 788	63 195 793
	59 796 882	(986 877)	4 385 788	63 195 793

Reconciliation of provisions - 2023

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	54 772 286	1 101 920	3 922 676	59 796 882
	54 772 286	1 101 920	3 922 676	59 796 882

Non-current liabilities	58 810 005	55 874 206
Current liabilities	4 385 788	3 922 676
	63 195 793	59 796 882

Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

Mafube Local Municipality consists of four (4) towns (Frankfort, Tweeling, Villiers and Cornelia). Frankfort, Tweeling, Villiers and Cornelia are located in an area of agricultural significance and Frankfort is the central business district of Mafube Local 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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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18. Provisions (continued)
Key cost parameters:

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).

Consumer price inflation (C) 5.10% (2023: 5.40%)

Discount rate (D) 12.40% (2023: 12.31%)

Net discount rate 6.94% (2023: 6.56%)

	Opening balance	Change in provision	Utilised during the year	Finance cost	Total
Frankfort	14 672 331	(81 230)	-	1 088 139	15 679 240
Tweeling	17 390 604	(425 094)	-	1 265 212	18 230 722
Villiers	18 898 653	(252 811)	-	1 390 524	20 036 366
Cornelia	8 835 293	(227 740)	-	641 913	9 249 465
	<u>59 796 882</u>	<u>(986 877)</u>	<u>-</u>	<u>4 385 788</u>	<u>63 195 793</u>

19. Unspent conditional grants and receipts
Unspent conditional grants and receipts comprises of:
Unspent conditional grants and receipts

Water Services Infrastructure Grant	5 271 328	9 780 484
Municipal Infrastructure Grant	4 626 942	7 035 627
Integrated National Electrification Programme	-	3 695 181
	<u>9 898 270</u>	<u>20 511 292</u>

Movement during the year

Balance at the beginning of the year	20 511 293	19 458 649
Additions during the year	26 585 000	57 260 000
Income recognition during the year	(37 198 023)	(56 207 356)
	<u>9 898 270</u>	<u>20 511 293</u>

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.

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

See reconciliation of grants from National/Provincial Government note 28 and for public contributions note 29

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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20. Interest income (Exchange transactions)**Interest income**

Bank accounts	698 416	558 374
Receivables from exchange transactions	71 602 229	54 482 167
	72 300 645	55 040 541

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 14 120 781 (2023: R15 536 548).

21. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	9 840 338	6 900 483
	9 840 338	6 900 483

22. Operational revenue

Cemetery Fees	450 024	504 219
Clearance certificate	27 439	27 416
Tender deposits	143 872	72 531
Recoveries	2 002 665	5 070 801
Building Fees	71 169	65 017
Meter Reading Fees	17	148
Sale of Sand	53 604	37 182
Royalties	3 490 025	2 252 464
Administrative Fees	36 523	9 730
Camping Fees	3 550	2 437
Connection Fees	49 171	560 905
Valuation services	37 252	44 107
	6 365 311	8 646 957

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 24 and 25 which are billed to or paid for by the users of the services as required according to approved tariffs.

23. Prescribed revenue

Prescribed revenue	-	812 400
	-	812 400

Prescribed revenue is revenue written off that has exceeded the period of 3 years, for example unallocated deposits (Debit and credits) which the debtor has not claimed the deposit or payment within the allocated timeframe.

Debtors with credit balances where no movement occurred for a long period of time have been written off to prescribed revenue.

24. Rental of facilities and equipment**Premises**

Rental from fixed property	868 252	615 152
	868 252	615 152
	868 252	615 152

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
25. Service charges		
Sale of electricity - Conventional	4 314	-
Sale of water - Conventional	46 382 549	46 691 214
Sewerage and sanitation charges	22 135 306	16 054 846
Refuse removal	19 570 719	17 219 483
	88 092 888	79 965 543

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

26. Property rates
Rates received

Property rates	10 937 287	5 138 987
Commercial	16 074 262	17 385 403
Small holdings and farms	3 563 104	2 833 746
	30 574 653	25 358 136

Valuations

Residential	1 572 261 000	1 571 661 000
Commercial properties	408 062 500	406 077 500
Municipal	51 276 900	51 776 900
Small holdings and farms	3 631 037 000	3 630 537 000
Government buildings	71 221 000	71 821 000
Public buildings	111 880 000	113 865 000
	5 845 738 400	5 845 738 400

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R120 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R20 000. The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R5 000 is a council reduction. The remaining R100 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

Other rebates

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

27. Fines, Penalties and Forfeits

Municipal Traffic Fines	1 850	142 500
	1 850	142 500

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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28. Government grants and subsidies**Operating grants**

Equitable share	127 852 000	118 903 000
Expanded Public Works Programme Integrated Grant	570 000	-
Local Government Financial Management Grant	3 100 000	3 100 000
	131 522 000	122 003 000

Capital grants

Municipal Infrastructure Grant	5 903 685	21 148 271
Water Services Infrastructure Grant	6 909 156	12 735 794
Integrated National Electrification Programme	2 115 181	7 223 291
	14 928 022	41 107 356
	146 450 022	163 110 356

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	18 598 022	44 207 356
Unconditional grants received	127 852 000	118 903 000
	146 450 022	163 110 356

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 035 627	11 100 479
Current-year receipts	10 495 000	23 929 000
Conditions met - transferred to revenue	(5 903 685)	(21 148 271)
Municipal Infrastructure Grant Rollover of 2022/23 denied withheld from Equitable share in 2023/24	(7 000 000)	(6 845 580)
	4 626 942	7 035 627

Conditions still to be met - remain liabilities see note 19

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
28. Government grants and subsidies (continued)		
Integrated National Electrification Programme		
Balance unspent at beginning of year	3 695 181	1 793 526
Current-year receipts	420 000	10 231 000
Conditions met - transferred to revenue	(2 115 181)	(7 223 291)
Integrated National Electrification Programme Rollover of 2021/22 denied withheld from Equitable share in 2022/23	(2 000 000)	(1 106 054)
	-	3 695 181
Conditions still to be met - remain liabilities see note 19		
Local Government Financial Management Grant		
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-
Expanded Public Works Programme Integrated Grant		
Current-year receipts	570 000	-
Conditions met - transferred to revenue	(570 000)	-
	-	-
Water Services Infrastructure Grant		
Balance unspent at beginning of year	9 780 484	6 564 644
Current-year receipts	12 000 000	20 000 000
Conditions met - transferred to revenue	(6 909 156)	(12 735 794)
Water Services Infrastructure Grant Rollover of 2022/23 denied withheld from Equitable share in 2023/24	(9 600 000)	(4 048 366)
	5 271 328	9 780 484
Conditions still to be met - remain liabilities see note 19		
29. Public contributions and donations		
Property, plant and equipment	-	5 705 274
Other Public contribution	3 277 581	7 080 252
	3 277 581	12 785 526
30. Bulk purchases		
Water	37 693 344	29 421 849
	37 693 344	29 421 849

Mafube Local Municipality

(Demarcation code: FS205)

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
31. Department of Water and Sanitation billing adjustment		
Billing adjustment of DWS	82 154 265	-
	82 154 265	-
In the current financial year, the municipality derecognized a liability amounting to R 82 154 265 inclusive of VAT related to a previously recorded obligation to the Department of Water and Sanitation. This amount provided by the department that was written off in full. The gain from the derecognition is recognized as income in accordance with GRAP 23 and GRAP 104.		
32. Debt impairment		
Contributions to debt impairment provision	184 132 511	653 342 911
Bad debts written off	3 402 600	4 799 137
	187 535 111	658 142 048
33. Depreciation and amortisation		
Property, plant and equipment	62 757 408	67 903 211

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
34. Employee related cost		
Senior Management Costs		
Annual Remuneration	1 660 268	2 769 619
Car Allowance	121 563	336 532
Contributions to UIF, Medical and Pension Funds	6 522	19 272
	1 788 353	3 125 423
Municipal staff costs		
Acting allowances	2 151 967	1 703 696
Basic salaries and wages	65 679 433	64 434 931
Bonus	5 655 276	5 548 954
Car allowance	8 322 934	7 601 524
Cellphone Allowance	90 400	98 400
Defined contribution plans	10 555 867	11 114 983
Employee benefit obligation	(1 232 470)	(522 095)
Housing allowances	586 474	612 910
Leave pay provision charge	4 165 846	5 182 745
Medical aid - company contributions	4 412 874	3 908 933
Other payroll levies	72 952	74 453
Overtime payments	4 091 705	3 968 581
Skills development levy	883 543	831 463
Standby Allowance	1 554 732	1 490 482
UIF contributions	660 036	648 964
Total for municipal staff	107 651 569	106 698 924
Total Employee related cost	109 439 922	109 824 347

Senior management costs breakdown
Remuneration of Municipal Manager - LJ Ralebenya

Basic Salary	-	451 183
Contribution to pension fund, UIF, SDL	-	6 598
Allowances	-	148 000
	-	605 781

The contract of the Municipal Manager Mr LJ Ralebenya ended in October 2022.

Provincial CoGTA seconded Advocate Lepheane from July 2023 until end of June 2024.

Remuneration of Chief Finance Officer - DT Tau

Basic Salary	430 996	-
Travel allowance	121 563	-
Contribution to pension fund, UIF, SDL	6 522	-
	559 081	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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34. Employee related cost (continued)**Remuneration of Acting Chief Finance Officer - GA Mgcina**

Acting Allowance	158 802	407 958
	158 802	407 958

Mr GA Mgcina was appointed as Acting CFO from July 2023 until Nov 2023.

Remuneration of Acting Director Planning & Infrastructure - N Radebe

Acting Allowance	471 833	449 029
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Ms N Radebe was appointed as Acting Director Planning & Infrastructure from July 2023 to end of June 2024

Remuneration of Director Planning & Infrastructure - DL Ramabitsa

Annual Remuneration	-	249 651
Contributions to UIF, Medical and Pension Funds	-	2 957
Allowances	-	32 235
	-	284 844

Mr DL Ramabitsa resigned end of July 2022

Remuneration of Director Community Service - ZE Mofokeng

Annual Remuneration	-	563 425
Contributions to UIF, Medical and Pension Funds	-	9 718
Allowances	-	302 105
	-	875 249

The contract of Ms ZE Mofokeng ended in February 2023.

Remuneration of Acting Director Community Service - TE Nxayi

Acting allowance	124 144	-
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Remuneration of Acting Director Corporate Service - I Ngozo

Acting allowance	-	335 132
	-	335 132

Mr I Ngozo was appointed as Acting Director Corporate Services from July 2022 to mid March 2023.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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34. Employee related cost (continued)**Remuneration of Acting Director Corporate Service - DC Madibo**

Acting allowance	474 493	167 431
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Me DC Madibo was appointed as Acting Director Corporate Services from mid March 2023 to June 2024.

35. Finance costs

Fair value adjustments: Notional interest	4 385 788	3 922 676
Other interest paid	1 302 274	1 413 047
Trade and other payables	81 251 824	62 052 826
	86 939 886	67 388 549

36. General expenses

Advertising	841 598	671 321
Auditors remuneration	985 626	6 490 642
Bank charges	325 380	458 970
Community development and training	327 520	68 234
Consulting and professional fees	13 992 084	14 679 534
Consumables	8 342 581	8 077 726
Bursaries	30 058	111 144
Burial expenses	52 000	12 143
Fuel and oil	2 311 805	3 025 664
Hire	9 615 361	10 114 758
IT expenses	22 051	3 421 986
Insurance	2 996 063	2 661 867
Motor vehicle expenses	38 600	229 462
Municipal Services - Electricity & Water	16 963 445	12 954 620
Printing and stationery	532 481	848 877
Repairs and maintenance	3 713 639	4 532 528
Security (Guarding of municipal property)	-	112 500
Staff welfare	57 806	3 434
Subscriptions and membership fees	7 371	14 938
Telephone and fax	2 449 072	2 320 337
Travel - local	573 811	576 638
Uniforms	182 486	204 168
	64 360 838	71 591 491

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
37. Remuneration of councillors		
Mayor	967 204	914 702
Executive committee	814 088	770 025
Speaker	797 684	732 534
Councillors	4 099 289	3 932 589
	6 678 265	6 349 850
Mayor		
Councillor remuneration	725 620	717 917
Telephone allowance	3 770	3 600
Travel allowance	228 691	184 726
Contributions to Medical, Pension Funds, Skills and UIF	9 123	8 460
	967 204	914 702
Executive committee		
Councillor remuneration	607 494	570 672
Telephone allowance	7 540	7 200
Travel allowance	191 374	185 049
Contributions to Medical, Pension Funds, Skills and UIF	7 681	7 104
	814 088	770 025
Speaker		
Councillor remuneration	588 145	527 990
Telephone allowance	3 770	3 600
Travel allowance	182 953	176 907
Contributions to Medical, Pension Funds, Skills and UIF	22 816	24 036
	797 684	732 534
Councillors		
Councillor remuneration	3 424 914	3 347 942
Telephone allowance	49 010	51 440
Travel allowance	482 777	405 780
Contributions to Medical, Pension Funds, Skills and UIF	142 588	127 427
	4 099 289	3 932 589
In-kind benefits		
The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		
Additional information		

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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37. Remuneration of councillors (continued)

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Refer to note 44 for details breakdown of remuneration of councillors under the related parties note.

38. Reversal of impairments/(Impairment loss)
Impairments

Property, plant and equipment (25 625 990) (10 713 930)

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 owners name, the land was impaired.

(25 625 990)	(10 713 930)
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Reversal of impairments

Property, plant and equipment - 3 338 685

Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.

Total impairment losses reversed / (recognised)

(25 625 990)	(7 375 245)
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The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Wastewater network

Infrastructure - Road network

Infrastructure - Water network

Infrastructure - Electricity network

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
38. Reversal of impairments/(Impairment loss) (continued)		
Computer equipment		
Furniture and fixtures		
Plant and machinery		
The main classes of assets affected by reversals of impairment losses are:		
Motor vehicles		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.		
39. Fair value adjustments		
Investment property	(1 553 391)	864 522
	(1 553 391)	864 522
40. Auditors' remuneration		
Fees	985 626	6 490 642
	985 626	6 490 642
41. Net cash flow (used in) generated from operating activities		
Surplus/(deficit)	(149 203 937)	(662 035 577)
Adjustments for:		
Depreciation and amortisation	62 757 408	67 903 211
Gain on sale of assets and liabilities	6 256 661	454 434
Fair value adjustments	1 553 391	(864 522)
Impairment deficit	25 625 990	7 375 245
Debt impairment	187 535 111	658 142 048
Movements in retirement benefit assets and liabilities	306 349	(1 034 368)
Movements in provisions	3 398 911	5 024 596
Inventory losses or write-downs	(52 381)	248 011
Landfill site movement	986 877	(1 101 920)
Work in progress movement	(16 254 649)	(43 467 865)
Changes in working capital:		
Inventories	24 464	(39 909)
Receivables from exchange transactions	(905 953)	492 745 277
Consumer debtors	(187 535 111)	(658 142 048)
Other receivables from non-exchange transactions	448 437	19 298 533
Payables from exchange transactions	64 620 944	110 919 799
VAT	4 786 370	10 774 299
Unspent conditional grants and receipts	(10 613 022)	1 052 643
Consumer deposits	61 204	85 092
	(6 202 936)	7 336 979

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 173 462	27 777 660
	16 173 462	27 777 660
Total capital commitments		
Already contracted for but not provided for	16 173 462	27 777 660
	16 173 462	27 777 660
Total commitments		
Total commitments		
Authorised capital expenditure	16 173 462	27 777 660

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 46 for prior period corrections made to commitments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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43. Contingencies**Contingent liabilities**

Below is a list of possible liability claims where the outcome was unknown at 30 June 2024 with the maximum unforeseen liability for the Municipality:

MJ Matlole	1 300 000	1 300 000
Ntiyiso Consulting	1 074 464	1 074 464
Fire Fighters	-	900 000
WDT Goosen	250 000	250 000
Emily Dhladhla	100 000	100 000
PP Moloi	1 000 000	1 000 000
Amos Makoe	1 000 000	1 000 000
IMATU obo Dlamini	200 000	200 000
	4 924 464	5 824 464

MJ Matlole (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Ntiyiso Consulting (Pending)

The matter relates to a claim instituted in the amount of R1 074 464,00 for alleged services rendered by Ntiyiso Consulting which is disputed by the Municipality as well as the manner in which they were appointed.

Fire Fighters (Finalised)

Fire Fighters appointed on the Mayor's programs and took the Municipality to court as they wanted to be appointed permanently

WDT Goosen (Pending)

The matter is about an accident due to a pothole and therefore the claim for damages for medical and future damages.

Emily Dhladhla (Pending)

Emily Dhladhla is an application in the Labour Court for a review which is still pending. However, the matter has not at this time being prosecuted and will all probability have lapsed and have been archived.

PP Moloi (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Amos Makoe (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

IMATU obo Dlamini (Pending)

The Municipality has launched a review application against the ruling made by the SALGBC Commissioner.

As at reporting date the municipality is uncertain of the amount and timing of the outflow of any resources regarding the above mentioned cases.

Trade payables with legal status

The following trade creditors included in the trade payables listing has taken legal action against the municipality for long outstanding accounts.

- MWRF Pension Fund
- N & C Maintenance
- Blackbird Trading
- Malanda Joint Venture
- Auditor-General of South Africa
- Moreku Luxury Vehicles
- Rheochem (Pty)Ltd
- Sam Foxy Holdings
- SAMWU

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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43. Contingencies (continued)

The following cases are still in progress but have no financial impact on the Contingent Liabilities that have been disclosed:

- WDT Goosen
- Emily Dhladhla
- IMATU obo Dlamini

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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44. Related parties

Nature of related party relationships

Related party transactions

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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44. Related parties (continued)
Remuneration of Councillors and Management
Management class: Councillors
2024

Name	Councillor allowance	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. TI Motsoeneng	725 620	232 461	9 123	967 204
Speaker	-	-	-	-
Cllr. MM Mofokeng	588 145	186 723	22 816	797 684
Executive committee members	-	-	-	-
Cllr. EM Maboya	303 746	99 457	3 841	407 044
Cllr. TJ Kotsi	303 746	99 457	3 841	407 044
Councillors	-	-	-	-
Cllr. MP Mokoena	229 795	2 788	76 142	308 725
Cllr. SB Ntuli	302 167	3 059	3 770	308 996
Cllr. A Tsotetsi	302 167	3 059	3 770	308 996
Cllr. MR Tsotetsi	336 548	51 417	3 770	391 735
Cllr. TP Mashiloane	201 475	30 691	76 142	308 309
Cllr. MA Tsubane	302 167	3 059	3 770	308 996
Cllr. AN Molefe	229 795	2 915	76 142	308 852
Cllr. SM Steyn	302 167	3 059	3 770	308 996
Cllr. FA Tsotetsi	201 475	30 691	76 142	308 309
Cllr. WBM Gumede	229 795	2 915	76 142	308 852
Cllr. JJ Kumbi	302 167	3 059	3 770	308 996
Cllr. TBRJ Van Rensburg	255 400	2 960	52 314	310 674
Cllr. JB Marais	229 795	2 915	76 142	308 852
	5 346 171	760 686	571 408	6 678 265

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023		
44. Related parties (continued)				
2023				
Name	Basic Salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. TI Motsoeneng	717 917	188 327	8 461	914 704
Speaker	-	-	-	-
Cllr. MM Mofokeng	527 992	180 507	24 036	732 536
Executive committee members	-	-	-	-
Cllr. EM Maboya	285 336	96 125	3 552	385 012
Councillors	-	-	-	-
Cllr. TJ Kotsi(Chief Whip)	285 336	96 125	3 552	385 012
Cllr. MP Mokoena	215 890	73 580	2 695	292 165
Cllr. SB Ntuli	298 928	3 600	2 966	305 493
Cllr. A Tsotetsi	285 870	3 600	2 835	292 305
Cllr.MR Tsotetsi	327 583	5 920	42 043	375 546
Cllr. TP Mashiloane	199 872	76 845	28 127	304 844
Cllr. MA Tsubane	298 928	3 600	2 966	305 493
Cllr. AN Molefe	246 315	56 213	2 861	305 388
Cllr. SM Steyn	285 870	3 600	2 835	292 305
Cllr FA Tsotetsi	188 506	75 900	29 569	293 975
Cllr. WBM Gumede	215 890	73 580	2 695	292 165
Cllr. JJ Kumbi	285 870	3 600	2 835	292 305
Cllr. TBRJ Van Rensburg	285 870	3 600	2 835	292 305
Cllr. JB Marais	212 552	73 580	2 164	288 297
	5 164 523	1 018 303	167 028	6 349 854

Refer to note 37 for remuneration of councillors.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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44. Related parties (continued)
Management class: Senior Managers
2024

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Chief Financial Officer - TD Tau	430 996	121 563	6 522	559 081
Acting Chief Financial Officer - GA Mgcina	-	158 802	-	158 802
Acting Director Corporate Services - DC Madibo	-	474 493	-	474 493
Acting Director Planning & Infrastructure - N Radebe	-	471 833	-	471 833
Acting Director Community Services - TE Nxayi	-	124 144	-	124 144
	430 996	1 350 835	6 522	1 788 354

2023

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Municipal Manager - LJ Ralebenya	276 804	322 378	6 597	605 780
Director Planning & Infrastructure - DL Ramabitsa	56 357	225 529	2 957	284 844
Director Community Service - ZE Mofokeng	405 448	460 083	9 718	875 249
Acting Chief Financial Officer - GA Mgcina	-	407 958	-	407 958
Acting Director Corporate Services - I Ngozo	-	335 132	-	335 132
Acting Director Corporate Services - DC Madibo	-	167 431	-	167 431
Acting Director Planning & Infrastructure - N Radebe	-	449 029	-	449 029
	738 610	2 367 540	19 273	3 125 422

Refer to note 34 for employee related costs.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
45. 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:						
Statement of financial position						
2022						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		1 455 828	-	-	-	1 455 828
Other financial assets		276 038	-	-	-	276 038
Receivables from exchange transactions		32 678 482	496 169 037	-	-	528 847 519
Receivables from non-exchange transactions		3 982 907	18 868 259	-	-	22 851 166
VAT receivable		82 650 251	(363 413)	-	(107 128 510)	(24 841 672)
Cash and cash equivalents		2 004 759	0	-	-	2 004 759
Non-current Assets						
Investment property		44 037 815	1 463 319	-	-	45 501 134
Property, plant and equipment		1 160 862 443	17 842 783	-	-	1 178 705 226
Other financial assets		260 149	-	-	-	260 149
Heritage assets		35 758	-	-	-	35 758
Total Assets		1 328 244 431	533 979 986	-	(107 128 510)	1 755 095 906
Liabilities						
Current Liabilities						
Payables from exchange transactions		988 048 391	(3 449 738)	-	-	984 598 653
Consumer deposits		1 696 794	-	-	-	1 696 794
Employee benefit obligation - CL		1 758 451	-	-	-	1 758 451
Unspent conditional grants and receipts		19 458 648	0	-	-	19 458 648
VAT payable		-	-	-	107 128 510	107 128 510
Provisions - CL		2 158 028	-	-	-	2 158 028
Non-current Liabilities						
Employee benefit obligation - NCL		12 078 627	-	-	-	12 078 627
Provisions - NCL		52 614 258	-	-	-	52 614 258
Total Liabilities		1 077 813 197	(3 449 738)	-	107 128 510	1 181 491 969
Total Net Assets		250 431 234	537 429 725	-	(214 257 021)	573 603 938

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
45. Prior-year adjustments (continued)						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		1 495 737	-	-	-	1 495 737
Other financial assets		301 258	-	-	-	301 258
Receivables from exchange transactions		32 143 071	3 959 173	-	-	36 102 244
Receivables from non-exchange transactions		3 336 713	215 920	-	-	3 552 633
VAT receivable		71 663 332	(150 792)	-	(145 591 430)	(74 078 889)
Cash and cash equivalents		7 993 751	-	-	-	7 993 751
Non-current Assets						
Investment property		44 874 532	1 491 124	-	-	46 365 656
Property, plant and equipment		1 162 626 669	(13 759 984)	-	-	1 148 866 685
Other financial assets		258 351	-	-	-	258 351
Heritage assets		35 758	-	-	-	35 758
Total Assets		1 324 729 171	(8 244 560)	-	(145 591 430)	1 170 893 182
Liabilities						
Current Liabilities						
Payables from exchange transactions		1 094 526 192	1 240 267	-	-	1 095 766 459
Consumer deposits		1 781 886	-	-	-	1 781 886
Employee benefit obligation - CL		-	1 717 314	-	-	1 717 314
Unspent conditional grants and receipts		20 511 292	-	-	-	20 511 292
VAT payable		-	-	-	145 591 430	145 591 430
Provisions - CL		3 922 676	-	-	-	3 922 676
Non-current Liabilities						
Employee benefit obligation - NCL		12 802 710	(1 717 314)	-	-	11 085 396
Provisions - NCL		55 874 206	-	-	-	55 874 206
Total Liabilities		1 189 418 962	1 240 267	-	145 591 430	1 336 250 658
Total Net Assets		135 310 210	(9 484 826)	-	(291 182 859)	(165 357 476)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
45. Prior-year adjustments (continued)						
Statement of financial performance						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges		79 965 543	-	-	-	79 965 543
Rental of facilities and equipment		615 152	-	-	-	615 152
Operational revenue		7 749 163	897 793	-	-	8 646 956
Interest income		55 040 541	-	-	-	55 040 541
Prescribed revenue		812 400	-	-	-	812 400
		144 182 799	897 793	-	-	145 080 593
Property rates		25 358 136	-	-	-	25 358 136
Taxation revenue - Interest income		6 900 483	-	-	-	6 900 483
Government grants & subsidies		163 110 356	-	-	-	163 110 356
Public contributions and donations		12 785 525	-	-	-	12 785 525
Fines, Penalties and Forfeits		142 500	-	-	-	142 500
		208 297 001	-	-	-	208 297 001
Total Revenue		352 479 800	897 793	-	-	353 377 594
Expenditure						
Employee related costs		(107 215 635)	(2 608 712)	-	-	(109 824 347)
Remuneration of councillors		(6 349 850)	-	-	-	(6 349 850)
Depreciation and amortisation		(39 621 758)	(28 281 453)	-	-	(67 903 211)
Finance costs		(67 425 091)	36 542	-	-	(67 388 549)
Debt Impairment		(145 975 306)	(512 166 742)	-	-	(658 142 048)
Bulk purchases		(27 966 963)	(1 454 886)	-	-	(29 421 849)
General Expenses		(71 695 829)	104 339	-	-	(71 591 490)
		(466 250 432)	(544 370 911)	-	-	-(1 010 621 343)
Operating Surplus/ (Deficit)		(113 770 632)	(543 473 118)	-	-	(657 243 750)
Fair value adjustments		836 718	27 804	-	-	864 522
Reversal of impairments (Impairment loss)		(4 357 296)	(3 017 949)	-	-	(7 375 245)
Inventory gains		248 011	-	-	-	248 011
Actuarial gains/losses		1 925 320	-	-	-	1 925 320
Loss on disposal of assets		(3 147)	(451 286)	-	-	(454 433)
		(1 350 395)	(3 441 432)	-	-	(4 791 826)
Surplus / (Deficit) For The Year		(115 121 026)	(546 914 550)	-	-	(662 035 576)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023				
45. Prior-year adjustments (continued)						
Cash flow statement						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		32 904 814	18 652 339	-	-	51 557 153
Sale of goods and services		158 196 949	497 702 068	-	-	655 899 017
Grants		164 163 000	-	-	-	164 163 000
Interest income		558 374	-	-	-	558 374
Employee costs		(105 516 441)	(1 138 672)	-	-	(106 655 113)
Suppliers		(243 117 646)	(515 067 812)	-	-	(758 185 458)
Net cash from operating activities		7 189 050	147 922	-	-	7 336 972
Cash flow from investing activities						
Purchase of property, plant and equipment		(1 176 638)	(147 927)	-	-	(1 324 565)
Proceeds from sale of financial assets		(23 421)	-	-	-	(23 421)
Net cash from investing activities		(1 200 059)	(147 927)	-	-	(1 347 986)
Cash flow from financing activities						
Total cash movement for the year		5 988 991	(5)	-	-	5 988 986
Cash and cash equivalents at the beginning of the year		2 004 758	-	-	-	2 004 758

Errors

The following prior period errors were identified and corrected during the year:

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45. Prior-year adjustments (continued)**Property, plant and equipment:**

Management have changed the methodology of the prior year impairment calculations and depreciation calculation. The prior year asset register was reversed from the General Ledger excluding additions, transfers, disposals as it would not be practical to correct each line item individually. All assets were physically verified during the year and all conditions were updated for the current year. The new register was accounted for accordingly.

Affected line items

Property, plant and equipment	(18 304 569)
Depreciation and amortisation	28 965 072
Accumulated surplus (deficit)	(14 129 738)
Impairment loss	3 017 949
Gain or loss on disposal of assets and liabilities	451 286
	<u>-</u>

Consumer Debtors:

Correction of prior year write off that was not approved by council. The proposed write off was reversed and impairment was recalculated for consumer debtors.

Affected line items

Payables from exchange transactions	(1 304 540)
Accumulated surplus (deficit)	(515 037 296)
Receivables from exchange transactions	3 959 174
Receivables from non-exchange transactions	215 920
Debt Impairment	512 166 742
	<u>0</u>

Payables from exchange transactions:

Correction of prior year accruals was done as it impact the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accurately accounted for. Where differences was identified an adjustment was processed in the prior year.

Affected line items

Payables from exchange transactions	1 918 393
VAT receivable	(370 219)
Property, plant and equipment	147 928
General Expenses	(112 548)
Finance costs	(208 144)
Accumulated surplus (deficit)	(3 086 328)
Operational revenue	(897 795)
Employee costs	2 608 712
	<u>0</u>

Notes to the Audited Annual Financial Statements

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45. Prior-year adjustments (continued)**Investment property:**

All Land and Investment properties were verified against the valuation roll, properties were identified that was not included in the prior year register. Additional properties were identified that had to be removed as the properties transferred from owners and did not meet the criteria of Land or Investment properties.

Affected line items

Accumulated surplus (deficit)	(1 463 320)
Investment property	1 491 123
Fair value adjustments	(27 803)
	<u>0</u>

Landfill site asset:

Remaining useful life was restated. Management identified in the 2024 FY that the remaining life as per the engineer's calculations was not aligned to the remaining useful life of the Landfill site report. The remaining useful lives have been corrected as per the Engineers calculations. Prior period error was declared in 2024. Landfill site assets depreciation corrected to be in line with IGRAP 2 and GRAP 17.

Affected line items

Property, plant and equipment	4 396 662
Depreciation and amortisation	(683 619)
Accumulated surplus (deficit)	(3 713 043)
	<u>0</u>

General Expenses:

Prior year expenditure was identified in the current financial year that was previously incorrectly accounted for.

Affected line items

VAT receivable	1 231
General Expenses	8 209
Finance costs	(9 440)
	<u>(0)</u>

Bulk purchases:

Prior year expenditure was identified in the current financial year, the correction was done to account for the transactions in the correct financial period.

Affected line items

Payables from exchange transactions	(1 854 123)
VAT receivable	218 195
Finance costs	181 042
Bulk purchases	1 454 886
	<u>0</u>

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
45. Prior-year adjustments (continued)		
Employee benefit obligation:		
Prior year allocation between current and non current liabilities have been corrected.		
Affected line items		
Employee benefit obligation - CL	(1 717 314)	
Employee benefit obligation - NCL	1 717 314	

Notes to the Audited Annual Financial Statements

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46. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Commitments	27 778 132	(472)	27 777 660
<i>Correction of prior year project that completed</i>			
Unauthorized expenditure	1 554 795 251	517 546 886	2 072 342 137
<i>Correction of prior year adjustments for Consumer debtors, Bulk Purchases and General expenses</i>			
Fruitless and wasteful expenditure have been restated from	270 838 051	1 476 154	272 314 205
<i>Correction of SARS interest that was incorrectly disclosed in the prior year. Correction is in line with the latest supporting documents.</i>			
PAYE and UIF	1 605 276	(1 440 172)	165 104
<i>Correction of current and prior year subscriptions due to the recalculation of SARS interest and penalties where the municipality received remission. Correction is in line with the latest supporting documents.</i>			
Segment information	(115 121 027)	(546 914 549)	(662 035 576)
<i>Correction disclosure of segment information as results of prior period error changes.</i>			

47. Change in estimate
Property, plant and equipment
Change in accounting estimates

According to the requirements of GRAP 3, specific disclosure is required when a change in accounting estimates takes place within the reporting period. As per section 41, "An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect."

The following change in accounting estimates has taken place in the reporting period:

Residual value allocation to fixed assets

In previous financial periods a residual value of R0 was allocated to all fixed assets. Transitioning from a zero residual value to an evidence-based residual allocation improves compliance with GRAP 17, enhances financial accuracy, and promotes better asset lifecycle management.

Change in depreciation method from Straight line to reducing balance method

In previous financial periods the straight-line depreciation method was applied. Transitioning to the Reducing Balance Method aligns depreciation with actual asset usage patterns, enhancing compliance with GRAP 17 while improving financial sustainability and decision-making.

The financial effect of the change of both estimations, on the net asset carrying value of fixed assets from 2024: R 1 116 624 521 (2023: R 1 162 626 663) to 2024: R 1 069 956 840 (2023: R 1 148 866 688).

As per the requirements of GRAP 3, the future effect of the change in estimation requires disclosure, if it is practical to do so. Since it's unknown what assets will be acquired, impaired or disposed of in the following financial period, determining the future effect of the change in estimates is impractical at this time.

Restatement of the 2023 financial information is required to ensure proper comparability with year-on-year financial results. Furthermore, the correction of the opening carrying value of applicable fixed assets is necessary to accurate disclosure of the 2024 financial information.

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48. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

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.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	461 953 164	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	408 049 222	-	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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48. Risk management (continued)**Credit risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

	2024	2023
Financial instrument		
Receivables from exchange transactions	37 008 195	36 102 244
Bank balances	1 287 313	7 993 751

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 15.

Market risk**Interest rate risk**

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus/(deficit) of R -23 378 550 and that the municipality's current liabilities exceed its current assets by R -1 067 486 335

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 municipality is experiencing some financial difficulties, indicators are as follows:

1. Continuous attachment of the municipal bank account by pension funds and other creditors.
2. Unspent conditional grants being withheld from the Equitable Share allocation.
3. Several litigations due to non-payment of long outstanding creditors of which poses a threat of the municipality's assets becoming attached.
4. Suppliers are not paid within the legislative 30 days.
5. Employee benefit obligations are unfunded; refer note
6. High levels of distribution losses; refer note
7. Slow collection and low recoverability of outstanding consumer accounts; and
8. Unfavourable financial ratios.

In addition, the municipality owed Eskom Holdings SOC R 49 012 371.31 (2023: R 48 586 073.03), Rural Freestate R 76 232 980.02 (2023: R 75 452 464.58) and Department water and sanitation R 521 543 050 (2023: R 516 249 163) as at 30 June 2024.

The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. There is material uncertainty that the municipality can operate as a going concern if additional funding cannot be procured. The ability of the municipality to continue as a going concern is dependent on several factors:

1. Circular 124 – Eskom write-off agreement application.
2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.
3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.
4. Additional supplementary valuation rolls were implemented during the financial year to improve property rates billing and enhance cashflow.

These events or conditions, along with the continuing operating losses and financial difficulties, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

50. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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51. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	2 466 386 575	2 072 303 340
Irregular expenditure	335 820 080	308 682 777
Fruitless and wasteful expenditure	353 566 029	272 314 205

Closing balance	3 155 772 684	2 653 300 322
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52. Unauthorised expenditure

Opening balance as previously reported	2 072 303 340	1 190 246 303
Add: Unauthorised expenditure - current	385 347 195	869 539 496
Conditional grants non compliance with Dora section 16(1) 2023 & 2024	8 736 040	12 517 541

Closing balance	2 466 386 575	2 072 303 340
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Unauthorised expenditure is disclosed exclusive of VAT.

Unauthorised expenditure: Budget overspending – per municipal department:

Political Office	12 104 127	75 784 930
Community Services	21 027 579	-
Financial Services	307 421 845	763 450 256
Planning & Infrastructure Services	44 793 643	30 304 310

385 347 195	869 539 496
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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
53. Fruitless and wasteful expenditure		
Opening balance as previously reported	272 314 205	210 208 443
Add: Fruitless and wasteful expenditure identified - current	81 251 824	62 105 761
Closing balance	353 566 029	272 314 205

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
ABSA - interest on bank charges		950	212 710
AGSA - interest on overdue account		1 402 503	1 173 257
Department of Water & Sanitation - Interest on overdue accounts		44 179 821	24 888 996
Eskom - interest on overdue account		102 177	35 051
FNB - interest on bank charges		-	4
Rural Free State - interest on overdue account		9 718 383	9 946 303
SALA Pension fund - interest on overdue account		5 275 933	8 843 799
SAMWU Pension fund - interest on overdue account		18 227 547	13 563 232
SARS - interest & penalties		1 389 610	2 162 386
West Rand Consulting		482 140	-
Telkom		-	52 937
Manna Holdings		472 759	213 995
N & C Maintenance		-	1 013 090
		81 251 824	62 105 761

No write off's of amounts were proposed to council or approved by council for the prior period under review.

Amount recovered

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
54. Irregular expenditure		
Opening balance as previously reported	308 682 777	279 782 361
Add: Irregular Expenditure - current	27 137 303	28 900 416
Closing balance	335 820 080	308 682 777

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

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited	-	1 350 210
Declaration of interest not submitted	1 897 605	3 730 130
No CSD Report Attached, No Declaration of Interest & No 3 Written Quotation	157 384	-
No CSD , No Tax Clearance, No 3 Formal Written Quotation & No Declaration of Interest attached	4 532 270	-
No evidence of bids being advertised.	-	1 865 053
Bids advertised less than 14 days	-	2 941 511
Service Level Agreement not in place	2 496 719	2 244 263
Suppliers not on CSD	-	103 217
Three written quotations not invited	15 080 471	16 549 675
No supporting documents	554 487	-
Tax Status - Non- Compliant	-	54 999
Expenditure not approved by a delegated official	2 418 367	61 358
	27 137 303	28 900 416

Disciplinary steps taken/criminal proceedings

Based on the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

55. Material Losses**Water distributed losses**

Mega litres purchased	6 160 795	9 024 941
Mega litres lost during distribution	3 493 395	6 323 302
Percentage lost during distribution	57%	70%
Loss Amount	15 925 296	23 508 305

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

56. Additional disclosure in terms of Municipal Finance Management Act**Contributions to organised local government**

Opening balance	7 273 958	5 755 553
Current year subscription / fee	1 327 939	1 525 610
Amount paid - current year	-	(7 205)
	8 601 898	7 273 958

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
56. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	11 878 481	10 828 582
Current year subscription / fee	5 661 898	8 637 495
Amount paid - current year	(3 625 926)	(7 587 597)
	13 914 453	11 878 481
PAYE and UIF		
Opening balance	165 104	33 275 288
Current year subscription	14 525 481	10 958 345
Amount paid - current year	(9 726 514)	(13 187 729)
Amount paid - previous years	(0)	(30 880 800)
	4 964 071	165 104
Pension and Medical Aid Deductions		
Opening balance	216 706 723	178 227 493
Current year subscription / fee	46 209 469	22 834 366
Amount paid - current year	(20 369 136)	(6 762 167)
Amount paid - previous years	-	22 407 031
	242 547 056	216 706 723

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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56. 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	Outstanding more than 90 days	Total
Cllr SM Steyn	3 960	38 744	42 704
Cllr JB Marais	5 427	56 915	62 342
Cllr Mohapi Mokoena	3 102	38 561	41 663
Cllr EM Maboya	2 616	19 330	21 946
Cllr JT Kotsi	3 689	68 856	72 544
Cllr Matsatsi Mofokeng	4 016	25 497	29 513
Cllr Matsatsi Mofokeng	1 333	5 196	6 529
Cllr Action Tsotetsi	3 624	70 765	74 389
Cllr Moabi Tsubane	1 841	16 851	18 692
Cllr Van Rensburg	3 307	9 445	12 751
Cllr Mamonaila Tsotetsi	2 608	41 392	44 001
Cllr AN Molefe	835	28 571	29 406
Cllr Faku Tsotetsi	4 269	85 776	90 046
Cllr BW Gumede	2 759	49 436	52 194
Cllr Mashiloane	2 532	46 758	49 291
Cllr. TI Motsoeneng	1 826	5 207	7 033
Cllr JJ Kumbi	880	5 820	6 700
Cllr Ntuli	2 418	39 683	42 101
	51 041	652 803	703 845

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SM Steyn	2 924	28 501	31 426
Cllr JB Marais	3 451	43 427	46 878
Cllr Mohapi Mokoena	1 962	30 839	32 801
Cllr EM Maboya	2 075	13 264	15 338
Cllr JT Kotsi	2 381	59 720	62 101
Cllr Matsatsi Mofokeng	2 666	21 174	23 841
Cllr Matsatsi Mofokeng	838	1 840	2 678
Cllr Action Tsotetsi	3 200	61 012	64 212
Cllr Moabi Tsubane	1 374	23 806	25 180
Cllr Van Rensburg	2 203	6 929	9 132
Cllr Mamonaila Tsotetsi	3 029	41 268	44 297
Cllr AN Molefe	2 088	28 990	31 078
Cllr Faku Tsotetsi	2 507	75 299	77 805
Cllr BW Gumede	1 784	42 306	44 090
Cllr Mashiloane	1 638	40 207	41 845
Cllr. TI Motsoeneng	1 379	5 122	6 501
Cllr JJ Kumbi	1 531	2 616	4 147
Cllr Ntuli	1 548	33 452	35 000
	38 578	559 772	598 350

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

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr SM Steyn	32 079	270

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
56. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Cllr JB Marais	47 764	270
Cllr Mohapi Mokoena	33 301	270
Cllr EM Maboya	15 207	270
Cllr JT Kotsi	62 583	270
Cllr Matsatsi Mofokeng	18 604	270
Cllr Matsatsi Mofokeng	2 965	270
Cllr Action Tsotetsi	64 344	270
Cllr Moabi Tsubane	13 517	270
Cllr Van Rensburg	3 941	270
Cllr Mamonaila Tsotetsi	36 549	270
Cllr AN Molefe	25 312	270
Cllr Faku Tsotetsi	78 644	270
Cllr BW Gumede	44 743	270
Cllr Mashiloane	42 446	270
Cllr. TI Motsoeneng	2 070	240
Cllr JJ Kumbi	4 341	270
Cllr Ntuli	35 572	270
	563 980	4 830

30 June 2023

	Highest outstanding amount	Aging (in days)
Cllr SM Steyn	23 987	270
Cllr JB Marais	36 804	270
Cllr Mohapi Mokoena	27 409	270
Cllr EM Maboya	10 434	270
Cllr JT Kotsi	55 120	270
Cllr Matsatsi Mofokeng	15 937	270
Cllr Matsatsi Mofokeng	275	90
Cllr Action Tsotetsi	56 460	270
Cllr Moabi Tsubane	20 994	270
Cllr Van Rensburg	2 057	90
Cllr Mamonaila Tsotetsi	36 429	270
Cllr AN Molefe	23 976	270
Cllr Faku Tsotetsi	71 363	270
Cllr BW Gumede	38 877	270
Cllr Mashiloane	37 057	270
Cllr. TI Motsoeneng	2 496	270
Cllr JJ Kumbi	2 233	270
Cllr Ntuli	30 478	270
	492 384	4 500

Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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57. Deviation from supply chain management regulations

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph reference			
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	414 682	1 712 655
		414 682	1 712 655

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Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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58. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The six key functional segments comprise of:

- Budget and Treasury
- Corporate Services
- Office of Municipal Manager
- Property, Planning & Development
- Technical and Engineering Services

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

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

Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

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 and social services, sports recreation and public safety
Corporate Services	Administrative functions in human resources, legal services or compliance, communications and finance
Financial Services	Administration and financial services
Office Of Municipal Manager	The Municipal Manager, as the Head of Administration and the Accounting Officer of the municipality.
Planning & Infrastructure Services	Energy sources, Water management, Waste water management and waste management

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Segment surplus or deficit, assets and liabilities

2024

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(14 000 514)	-	(3 247 040)	-	(55 053 091)	-	(72 300 645)
Operational revenue	-	-	(6 316 121)	-	(49 187)	-	(6 365 309)
Rental of facilities and equipment	-	-	(868 252)	-	-	-	(868 252)
Service charges	(19 570 719)	-	-	-	(68 522 169)	-	(88 092 888)
Revenue from non-exchange transactions							
Fines, Penalties and Forfeits	-	-	(1 850)	-	-	-	(1 850)
Government grants and subsidies	(570 000)	-	(145 880 022)	-	-	-	(146 450 022)
Interest - Taxation revenue	-	-	(9 840 338)	-	-	-	(9 840 338)
Property rates	-	-	(30 574 654)	-	-	-	(30 574 654)
Public contributions and donations	-	-	-	-	(3 277 581)	-	(3 277 581)
Department of Water and Sanitation billing adjustment	-	-	(82 154 265)	-	-	-	(82 154 265)
Total segment revenue	(14 570 514)	-	(278 882 543)	-	(126 902 028)	-	(439 925 804)
Total revenue							(439 925 804)
Expenditure							
Bulk purchases	-	-	-	-	37 693 344	-	37 693 344
Debt Impairment	391 119	-	185 913 956	-	1 230 037	-	187 535 111
Depreciation and amortisation	6 855 793	1 404 427	17 171 659	39 552	37 285 975	-	62 757 406
Employee costs	13 365 137	11 494 715	11 661 968	41 221 174	19 277 314	12 419 613	109 439 922
Finance costs	-	1 302 274	85 637 612	-	-	-	86 939 886
General	415 530	13 606 418	11 119 114	1 554 157	27 743 397	9 922 221	64 360 837
Remuneration of councillors	-	-	-	-	-	6 678 265	6 678 265
Total segment expenditure	21 027 579	27 807 834	311 504 309	42 814 883	123 230 067	29 020 098	555 404 771

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Actuarial gains/losses	236 545	-	-	-	-	-	236 545
Fair value adjustments	1 553 391	-	-	-	-	-	1 553 391
Gain or loss on disposal of assets and liabilities	6 256 661	-	-	-	-	-	6 256 661
Impairment loss	25 625 989	-	-	-	-	-	25 625 989
Inventories losses/write-downs	52 381	-	-	-	-	-	52 381
	-	-	-	-	-	-	33 724 967
Deficit for the year							(149 203 934)
Assets							
Current assets							
Cash and cash equivalents	-	-	1 287 313	-	-	-	1 287 313
Inventories	-	-	734 520	-	736 753	-	1 471 273
Other financial assets-CA	-	-	378 458	-	-	-	378 458
Receivables from exchange transactions	1 154 722	-	27 878 292	-	7 975 180	-	37 008 195
Receivables from non-exchange transactions	-	-	3 104 196	-	-	-	3 104 196
VAT receivable	-	-	230 180 371	-	-	-	230 180 371
Non-current assets							
Heritage assets	-	-	-	-	-	35 758	35 758
Investment property	-	44 812 265	-	-	-	-	44 812 265
Other financial assets- NCA	-	-	222 213	-	-	-	222 213
Property, plant and equipment	(20 572 330)	143 490 473	160 622 813	2 335 497	784 080 392	-	1 069 956 844
Total segment assets	(19 417 608)	188 302 738	424 408 177	2 335 497	792 792 325	35 758	1 388 456 886
Total assets as per Statement of financial Position							1 388 456 886

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Figures in Rand

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Liabilities							
Current liabilities							
Payables from exchange transactions	-	-	(1 160 335 025)	-	-	-	(1 160 335 025)
Provisions- CL	(4 385 788)	-	-	-	-	-	(4 385 788)
Retirement benefit obligation	-	(374 292)	(625 476)	-	-	-	(999 768)
Unspent conditional grants and receipts	-	-	(9 898 270)	-	-	-	(9 898 270)
Consumer deposits	-	-	(1 397 384)	-	(445 706)	-	(1 843 090)
VAT Payable	(17 057 938)	-	(68 498 726)	-	(77 897 536)	-	(163 454 201)
Non-current liabilities							
Employee benefit obligation	-	-	(12 109 291)	-	-	-	(12 109 291)
Provisions- NCL	(58 810 005)	-	-	-	-	-	(58 810 005)
Total segment liabilities	(80 253 731)	(374 292)	(1 252 864 172)	-	(78 343 242)	-	(1 411 835 438)
Total liabilities as per Statement of financial Position							(1 411 835 438)

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Notes to the Audited Annual Financial Statements

Figures in Rand

2023

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(10 561 286)	-	(2 159 457)	-	(42 319 799)	-	(55 040 541)
Operational revenue	-	-	(8 085 904)	-	(561 053)	-	(8 646 956)
Prescribed revenue	-	-	-	-	(812 400)	-	(812 400)
Rental of facilities and equipment	-	-	(615 152)	-	-	-	(615 152)
Service charges	(17 219 483)	-	-	-	(62 746 060)	-	(79 965 543)
Revenue from non-exchange transactions							
Fines, Penalties and Forfeits	-	-	(142 500)	-	-	-	(142 500)
Government grants and subsidies	-	-	(163 110 356)	-	-	-	(163 110 356)
Interest - Taxation revenue	-	-	(6 900 483)	-	-	-	(6 900 483)
Property rates	-	-	(25 358 136)	-	-	-	(25 358 136)
Public contributions and donations	-	-	(12 785 525)	-	-	-	(12 785 525)
Total segment revenue	(27 780 769)	-	(219 157 514)	-	(106 439 311)	-	(353 377 592)
Total revenue							(353 377 592)
Expenditure							
Bulk purchases	-	-	-	-	29 421 849	-	29 421 849
Debt Impairment	550 425	-	655 285 494	-	2 306 128	-	658 142 048
Depreciation and amortisation	7 340 555	1 800 276	18 667 493	(38 797)	40 133 683	-	67 903 211
Employee costs	358 559	(522 095)	8 009 482	24 293 113	1 537 241	76 148 047	109 824 347
Finance costs	-	1 413 047	65 975 502	-	-	-	67 388 549
General	201 591	16 696 941	15 512 285	4 869 800	23 977 350	10 333 523	71 591 490
Remuneration of councillors	-	-	-	-	-	6 349 850	6 349 850
Total segment expenditure	8 451 130	19 388 170	763 450 256	29 124 116	97 376 251	92 831 420	1 010 621 344

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Actuarial gains/losses	(1 925 320)	-	-	-	-	-	(1 925 320)
Fair value adjustments	(864 522)	-	-	-	-	-	(864 522)
Gain or loss on disposal of assets and liabilities	454 433	-	-	-	-	-	454 433
Impairment loss	7 375 245	-	-	-	-	-	7 375 245
Inventories losses/write-downs	(248 011)	-	-	-	-	-	(248 011)
	(1 925 320)	-	-	-	-	-	4 791 826
Deficit for the year							(662 035 578)
Assets							
Current assets							
Cash and cash equivalents	-	-	7 993 751	-	-	-	7 993 751
Inventories	-	-	903 572	-	592 165	-	1 495 737
Other financial assets-CA	-	-	301 258	-	-	-	301 258
Receivables from exchange transactions	1 339 567	-	24 314 164	-	10 448 512	-	36 102 244
Receivables from non-exchange transactions	-	-	3 552 633	-	-	-	3 552 633
VAT receivable	-	-	217 103 970	-	-	-	217 103 970
Non-current assets							
Heritage assets	-	-	-	-	-	35 758	35 758
Investment property	-	46 365 656	-	-	-	-	46 365 656
Other financial assets- NCA	-	-	258 351	-	-	-	258 351
Property, plant and equipment	(3 964 545)	160 089 976	160 720 786	2 793 779	829 226 688	-	1 148 866 685
Total segment assets	(2 624 978)	206 455 632	415 148 484	2 793 779	840 267 365	35 758	1 462 076 043
Total assets as per Statement of financial Position							1 462 076 043

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Liabilities							
Current liabilities	-	-	-	-	-	-	-
Payables from exchange transactions	-	-	(1 095 766 459)	-	-	-	(1 095 766 459)
Provisions- CL	(3 922 676)	-	-	-	-	-	(3 922 676)
Retirement benefit obligation	-	(1 106 323)	(610 991)	-	-	-	(1 717 314)
Unspent conditional grants and receipts	-	-	(20 511 292)	-	-	-	(20 511 292)
Consumer deposits	-	-	(1 397 384)	-	(384 502)	-	(1 781 886)
VAT Payable	(14 298 657)	-	(72 222 209)	-	(59 070 563)	-	(145 591 430)
Non-current liabilities							
Employee benefit obligation	-	-	(11 085 396)	-	-	-	(11 085 396)
Provisions- NCL	(55 874 206)	-	-	-	-	-	(55 874 206)
Total segment liabilities	(74 095 539)	(1 106 323)	(1 201 593 731)	-	(59 455 065)	-	(1 336 250 659)
Total liabilities as per Statement of financial Position							(1 336 250 659)

Measurement of segment surplus or deficit, assets and liabilities

Information about geographical areas

Management monitors performance geographically, but does not have reliable separate financial information for decision making purposes, as the municipality's geographical areas of operation is seen as a single geographical area when deciding how to allocate resources.

Notes to the Audited Annual Financial Statements
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2023
59. Budget differences
Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 60.1	Rendering of services	3 995 265	-4%	The difference was mainly due to the Sale of water.
Note 60.2	Rental of facilities and equipment	6 251 704	-88%	The projection was made on the basis that, for the preceding financial period, the municipality had witnessed an increase in the number of occasions held which meant that revenue would have to be increased. The municipality, encountered a decline in terms of hall rentals for the 2023 financial period, thus decrease in the income from rental of facilities. Furthermore, the there was budgeted for rental on land which did not occur.
Note 60.3	Other income - (rollup)	(6 365 309)	100%	This relates to revenue received from sources which are notwithin the control of the municipality. The increase was mainly due to royalties, which were budget separately as well as recoveries. Additionally, municipality incorrectly budgeted forroyalty income as dividends received, thus material difference identified
Note 60.4	Interest received - investment	(16 956 603)	-31%	Under-estimate of projections for interest on overdue debtors as it forms part of interest projections. The basis used for budgeting of interest earned on debtors was incorrect and this will be corrected in the following financial year.
Note 60.6	Interest - Taxation revenue	(9 840 338)	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.7	Government grants & subsidies	759 000	-1%	The decrease was due to unspent conditional grants/amount withheld which was off-set against the Equitable share.

Notes to the Audited Annual Financial Statements

Figures in Rand			2024	2023
59. Budget differences (continued)				
Note 60.8	Public contributions and donations	(3 277 581)	100%	Contributions or donations were not anticipated by the municipality. The amount disclosed were identified through the process of AFS preparation, thus the material difference identified. There was PPE infrastructure capitalised as funded by government and included as part of public contributions and donations.
Note 60.9	Fines, Penalties and Forfeits	1 321	-42%	Fines, penalties and forfeits received are not within the control of the municipality, thus the fluctuation between the budgeted figure and the actual amount.
Note 60.10	Department of Water and Sanitation billing adjustment	(82 154 265)	100%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.
Note 60.11	Personnel	4 966 126	5%	The following reasons attributed mainly to the increase in personnel costs:- Resignations, retirement of employees, end of contracts of employees; - Overtime costs and acting allowances.
Note 60.12	Remuneration of councillors	(1 006 431)	-13%	The budget was based on anticipated inflation increase and determination of upper limits in the remuneration of councillors, projections may have been higher than actuals expected.
Note 60.13	Transfer payments - Other	(500 000)	-100%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.
Note 60.14	Depreciation and amortisation	22 757 406	57%	The line item was over budgeted. Furthermore, depreciation is calculated at the end of the year and various corrections were made on PPE in the past two financial years thus the over budget for the depreciation.
Note 60.15	Impairment loss/ Reversal of impairments	(25 625 989)	100%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.
Note 60.16	Finance costs	41 939 886	93%	The variance is mainly due to the increasing Eskom debt, Rural Free State debt and Department of Water Affairs accounts and pension fund outstanding balances, amongst others. The municipality is financially constraint and placed under administration and are not able to pay their creditors which impact interest on outstanding balances to be charged.
Note 60.17	Debt Impairment	184 132 511	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.18	Bad debts written off	(17 328 754)	-84%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand		2024		2023
59. Budget differences (continued)				
Note 60.19	Bulk purchases	26 958 844	251%	The budget for bulk purchases was not in line with the actual spent. The budget was not correctly accounted for as it was under budgeted. This was due to weak budgeting processes which will be rectified in the next financial year.
Note 60.20	Transfers and Subsidies	21 555 415	-141%	The decrease was due to unspent conditional grants/amount withheld which was off-set against the Equitable share.
Note 60.21	Loss on disposal of assets	6 256 661	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.22	Fair value adjustments	1 553 391	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.23	Inventories losses/write-downs	52 381	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.24	Inventories	(994 109)	208%	There were more stock on hand in comparison with the budgeted figure as less stock items used and water stock were appropriately accounted for
Note 60.25	Other financial assets	(378 458)	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.26	Receivables from exchange transactions	14 295 550	-28%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.
Note 60.27	Receivables from non-exchange transactions	(28 703 052)	-112%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.
Note 60.28	Cash and cash equivalents	55 886 130	-98%	No provision was made in the budget for this line item. This will be rectified in the next financial year
Note 60.29	Investment property	32 063 618	-42%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.
Note 60.30	Property, plant and equipment	(110 445 018)	12%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.
Note 60.31	Intangible assets	2 500 000	-100%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.
Note 60.32	Other financial assets	222 287	-50%	The municipality anticipated to acquire software upgrades to the financial system of the municipality. Due to the financial constraints, the municipality was unable to fulfil the planned acquisition.
Note 60.33	Payables from exchange transactions	(1 180 630 391)	5 817%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand			2024	2023
59. Budget differences (continued)				
Note 60.34	Consumer deposits	(1 277 118)	-226%	The budget was not accurately set. Incorrect base for the budget was used. The municipality is currently experiencing serious financial constraints and are not able to pay creditors impacting creditors to materially increase and significant amounts of interest charged. Furthermore, the municipality has been struggling with debt collection, thus were not able to settle their creditors.
Note 60.35	Employee benefit obligation	(999 768)	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year
Note 60.36	Unspent conditional grants and receipts	3 759 830	28%	The baseline used for the budget was incorrect. Prior year actual amount should have been used as a baseline. This will be rectified in the next financial year.
Note 60.37	Provisions	(1 952 395)	-80%	No provision was made in the budget for this line item. This will be rectified in the next financial year.
Note 60.38	Other current liabilities	-	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year
Note 60.39	Employee benefit obligation	(12 109 291)	100%	No provision was made in the budget for this line item. This will be rectified in the next financial year
Note 60.40	Provisions	(44 312 739)	-506%	No provision was made in the budget for this line item. This will be rectified in the next financial year
Note 60.41	Accumulated surplus	1 082 779 536	-98%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.
Note 60.42	Actuarial gains	(236 545)	100%	The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.

60. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.