Greater Letaba Municipality
Annual financial statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
Mayoral committee	
Executive committee	Cllr Mamanyoha T.D (Mayor)
	Cllr Mokwathi M.M (Speaker)
	Cllr Ramalatso R.R (Whip of Council)
	Cllr Baloyi R.G (Infrastructure)
	Cllr Kgapane T.J (Finance)
	Cllr Lebeko N.F (Corporate & Shared Services)
	Cllr Mosila M.R (Community Services)
	Cllr Ramaano M.R (Sports, Arts & Culture)
	Cllr Ramaremela M.L (Economic Development, Housing & Spatial Planning)
	Cllr Selowa M.G (Water & Sanitation)
Councillors	Cllr Mangena M.S (Environmental)
	Cllr Hlungwani S.J
	Cllr Kgatla M.E
	Cllr Lebepe R.R
	Cllr Lebeya J.M
	Cllr Lekitima M.V
	Cllr Maake M.S
	Cllr Maake N
	Cllr Mabidilala E
	Cllr Makgatho T.E
	Cllr Makhananisa M.D
	Cllr Makhurupetse M.M (Chairperson of MPAC)
	Cllr Malatji T.P
	Cllr Malatji M.C
	Cllr Maluleke M.J
	Cllr Mamaila B.A
	Cllr Mametlepa D.D
	Cllr Mampeule P.J
	Cllr Mankgero M.M
	Cllr Manyama M.I (Chairperson of Ethics)
	Cllr Mashao M.C
	Cllr Mohale M.J (Chairperson of Woman commission)
	Cllr Mohale R.W
	Cllr Mokgomola N.P
	Cllr Mokhabukhi M.S
	Cllr Monyela K.B
	Cllr Moroatshehla F.M
	Cllr Morwatshehla M.B
	Cllr Mothomogolo P.S
	Cllr Mulaudzi P
	Cllr Nakana M.R
	Cllr Ndima B.H
	Cllr Ngobeni M.P
	Cllr Ramabubutla L

General Information

	Cllr Rampyapedi S.E Cllr Rasebotja M.S Cllr Raseropo M.S Cllr Rasetsoke M.C Cllr Selowa D.L Cllr Senyolo T.J Cllr Seoka L.M Cllr Serumula M.L Cllr Mothele M.D (Road and Public Transport)
Grading of local authority	Category B, Grade 3 Local Municipality
Audit committee	Mr R Raphalalani (Chairperson) Mr N Marobane Ms MJ Mojapelo Ms MC Maloko Ms M Nkwane
Chief Financial Officer	Ms AN Sesene
Accounting Officer	Mr MO Sewape
Registered office	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Business address	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Postal address	PO Box 36 Modjadjiskloof 0835
Bankers	First National Bank
Auditors	Auditor General of South Africa
Enabling Legislations	Division of Revenue Act (Act No. 3 of 2016) Municipal Finance Management Act (Act No. 56 of 2003) Municipal Property Rates Act (Act No. 6 of 2000) Municipal System Act (Act No. 32 of 2000) Municipal Structures Act (Act No. 117 of 1998)

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

GRAP	Generally Recognised Accounting Practice
MPAC	Municipal Public Accounts Committee
SDL	Skills Development Levy
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Finance Management Grant
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Assistance
PAYE	Pay-As-You-Earn
WIP	Work In Progress
JSE	Johannesburg Stock Exchange

Accounting Officer's Responsibility and Approval

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

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

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

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

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

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

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

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

The internal auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

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

Mr MO Sewape
Municipal Manager

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 providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area. and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 1 116 196 944 and that the municipality's total assets exceed its total liabilities by R 1 116 196 944.

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.

Going Concern disclosure is contained in note 50 of the notes to the financial statements

3. Subsequent events

No subsequent events identified for the year under review.

4. Accounting Officers' interest in contracts

None have been identified.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name
Mr MO Sewape

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

Mr MO Sewape
Municipal Manager

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	7	10 261 762	9 818 799
Receivables from exchange transactions	8	12 270 824	14 332 108
Receivables from non-exchange transactions	9	2 860 476	5 123 228
VAT receivable	10	1 337 889	2 892 777
Consumer debtors	11	6 055 357	8 307 619
Cash and cash equivalents	12	12 454 221	3 582 784
		45 240 529	**44 057 315**
Non-Current Assets			
Investment property	2	178 568	187 584
Property, plant and equipment	3	1 213 182 873	1 165 315 589
Intangible assets	4	29 699	69 431
Heritage assets	5	914 424	914 424
		1 214 305 564	**1 166 487 028**
Total Assets		**1 259 546 093**	**1 210 544 343**
Liabilities			
Current Liabilities			
Finance lease obligation	49	2 560 284	238 360
Payables from exchange transactions	15	94 940 394	81 152 674
Consumer deposits	17	409 368	411 065
Employee benefit obligation	6	804 000	2 161 371
Unspent conditional grants and receipts	13	5 084 978	3 900 000
Provisions - VAT	14	12 347 101	14 583 646
		116 146 125	**102 447 116**
Non-Current Liabilities			
Finance lease obligation	49	3 692 741	-
Employee benefit obligation	6	23 510 283	17 139 116
		27 203 024	**17 139 116**
Total Liabilities		**143 349 149**	**119 586 232**
Net Assets		**1 116 196 944**	**1 090 958 111**
Accumulated surplus		1 116 196 944	1 090 958 111
Total Net Assets		**1 116 196 944**	**1 090 958 111**

* See Note 53

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	32 016 397	23 034 576
Rental of facilities and equipment	20	196 610	222 761
Interest received - outstanding receivables	51	3 475 275	5 070 313
Agency services	22	3 127 597	3 400 549
Licences and permits	23	2 232 319	2 853 402
Other income	25	1 665 683	2 206 792
Interest received - investment	26	4 692 787	2 117 199
Total revenue from exchange transactions		**47 406 668**	**38 905 592**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	20 036 611	13 342 128
Interest - Property Rates	51	236 499	570 976
Transfer revenue			
Government grants & subsidies	28	459 373 024	453 366 000
Fines, Penalties and Forfeits	21	352 150	632 200
Total revenue from non-exchange transactions		**479 998 284**	**467 911 304**
Total revenue	18	**527 404 952**	**506 816 896**
Expenditure			
Employee related costs	31	148 434 515	128 466 777
Remuneration of councillors	32	32 113 710	24 163 257
Depreciation and amortisation	33	47 332 575	42 235 815
Finance costs	52	2 519 036	2 158 503
Debt Impairment	35	42 845 074	25 965 205
Bulk purchases	36	19 859 883	16 897 055
Contracted services	29	130 215 140	116 838 834
General Expenses	30	77 934 297	78 281 215
Total expenditure		**501 254 230**	**435 006 661**
Operating surplus		**26 150 722**	**71 810 235**
Gain/Loss on assets	34	423 744	1 661 313
Actuarial gains/losses	6	308 139	2 205 772
Impairment Gains/ Losses	34	(1 011 667)	(11 124 876)
		(279 784)	**(7 257 791)**
Surplus for the year		**25 870 938**	**64 552 444**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 028 445 085	1 028 445 085
Adjustments		
Prior year adjustments	(2 039 418)	(2 039 418)
Balance at 01 July 2022 as restated*	**1 026 405 667**	**1 026 405 667**
Changes in net assets		
Surplus for the year	64 552 444	64 552 444
Total changes	64 552 444	64 552 444
Opening balance as previously reported	1 096 142 830	1 096 142 830
Adjustments		
Prior year adjustments	(5 184 719)	(5 184 719)
Restated* Balance at 01 July 2023 as restated*	**1 090 326 006**	**1 090 326 006**
Changes in net assets		
Surplus for the year	25 870 938	25 870 938
Total changes	25 870 938	25 870 938
Balance at 30 June 2024	**1 116 196 944**	**1 116 196 944**

Note(s)

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		27 300 051	32 339 607
Grants		464 458 002	453 366 134
Interest income		5 635 545	2 117 199
Other Income		1 663 087	1 886 644
		499 056 685	489 709 584
Payments			
Employee costs		(180 548 226)	(152 459 952)
Suppliers		(209 056 969)	(207 707 337)
Finance costs		(2 519 036)	(23 457)
		(392 124 231)	(360 190 746)
Net cash flows from operating activities	38	**106 932 454**	**129 518 838**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(96 896 027)	(127 283 265)
Proceeds from disposal of property, plant and equipment	3	1 156 935	-
Purchase of heritage assets	5	-	(416 206)
Net cash flows from investing activities		**(95 739 092)**	**(127 699 471)**
Cash flows from financing activities			
Finance lease payments		(2 321 924)	(1 410 876)
Net increase/(decrease) in cash and cash equivalents		**8 871 438**	**408 491**
Cash and cash equivalents at the beginning of the year		3 582 784	3 174 293
Cash and cash equivalents at the end of the year	12	**12 454 222**	**3 582 784**

* See Note 53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	28 455 000	2 000 000	**30 455 000**	32 016 397	**1 561 397**	1
Rental of facilities and equipment	249 000	-	**249 000**	196 610	**(52 390)**	9
Interest received (trading)	3 751 000	-	**3 751 000**	3 475 275	**(275 725)**	2
Agency services	3 368 000	-	**3 368 000**	3 127 597	**(240 403)**	3
Licences and permits	21 523 000	1 000 000	**22 523 000**	2 232 319	**(20 290 681)**	4
Other income	1 829 000	500 000	**2 329 000**	1 665 683	**(663 317)**	5
Interest received - investment	1 377 000	2 807 000	**4 184 000**	4 692 787	**508 787**	6
Total revenue from exchange transactions	**60 552 000**	**6 307 000**	**66 859 000**	**47 406 668**	**(19 452 332)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 517 000	7 000 000	**20 517 000**	20 036 611	**(480 389)**	7
Gain on disposal of assets	800 000	-	**800 000**	423 744	**(376 256)**	32
Interest - Property Rates	2 598 000	-	**2 598 000**	236 499	**(2 361 501)**	8
Transfer revenue						
Government grants & subsidies	388 982 000	4 479 000	**393 461 000**	459 373 024	**65 912 024**	10
Fines, Penalties and Forfeits	599 000	-	**599 000**	352 150	**(246 850)**	19
Total revenue from non-exchange transactions	**406 496 000**	**11 479 000**	**417 975 000**	**480 422 028**	**62 447 028**	
Total revenue	**467 048 000**	**17 786 000**	**484 834 000**	**527 828 696**	**42 994 696**	
Expenditure						
Employee related costs	(143 320 000)	(2 320 000)	**(145 640 000)**	(148 434 515)	**(2 794 515)**	11
Remuneration of councillors	(29 138 000)	(2 150 000)	**(31 288 000)**	(32 113 710)	**(825 710)**	12
Depreciation and amortisation	(21 797 000)	(4 899 000)	**(26 696 000)**	47 332 575	**74 028 575**	13
Impairment loss/ Reversal of impairments	-	-	**-**	(1 011 667)	**(1 011 667)**	34
Finance costs	(77 000)	-	**(77 000)**	(2 519 036)	**(2 442 036)**	17
Debt impairment	(22 210 000)	7 000 000	**(15 210 000)**	(42 845 074)	**(27 635 074)**	14
Bulk purchases	(21 841 000)	-	**(21 841 000)**	(19 859 883)	**1 981 117**	15
Contracted Services	(97 990 000)	(6 927 000)	**(104 917 000)**	(130 215 140)	**(25 298 140)**	16
General Expenses	(76 128 000)	(7 239 000)	**(83 367 000)**	(77 934 297)	**5 432 703**	18
Total expenditure	**(412 501 000)**	**(16 535 000)**	**(429 036 000)**	**(407 600 747)**	**21 435 253**	
Operating surplus	**54 547 000**	**1 251 000**	**55 798 000**	**120 227 949**	**64 429 949**	
Gain on disposal of assets and liabilities	-	-	**-**	423 744	**423 744**	32
Transfers and subsidies - capital	69 075 000	1 922 000	**70 997 000**	-	**(70 997 000)**	35
Actuarial gains/losses	-	-	**-**	308 139	**308 139**	36
	69 075 000	**1 922 000**	**70 997 000**	**731 883**	**(70 265 117)**	
Surplus before taxation	**123 622 000**	**3 173 000**	**126 795 000**	**120 959 832**	**(5 835 168)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**123 622 000**	**3 173 000**	**126 795 000**	**120 959 832**	**(5 835 168)**	

Greater Letaba Municipality
Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	10 897 000	(1 801 000)	**(1 801 000)**	10 261 762	**12 062 762**	20
Receivables from exchange transactions	2 383 000	11 102 000	**13 485 000**	12 270 824	**(1 214 176)**	21
Receivables from non-exchange transactions	12 667 000	5 695 000	**18 362 000**	2 860 476	**(15 501 524)**	22
VAT receivable	41 611 000	1 152 000	**42 763 000**	1 334 558	**(41 428 442)**	23
Consumer debtors	-	-	-	6 055 357	**6 055 357**	37
Cash and cash equivalents	47 394 000	2 542 000	**49 936 000**	12 454 221	**(37 481 779)**	28
	114 952 000	**18 690 000**	**122 745 000**	**45 237 198**	**(77 507 802)**	
Non-Current Assets						
Investment property	197 000	(9 000)	**188 000**	178 568	**(9 432)**	40
Property, plant and equipment	1 193 156 000	58 434 000	**1 251 590 000**	1 213 182 873	**(38 407 127)**	24
Intangible assets	516 000	(497 000)	**19 000**	29 699	**10 699**	29
Heritage assets	549 000	416 000	**965 000**	914 424	**(50 576)**	30
	1 194 418 000	**58 344 000**	**1 252 762 000**	**1 214 305 564**	**(38 456 436)**	
Total Assets	**1 309 370 000**	**77 034 000**	**1 375 507 000**	**1 259 542 762**	**(115 964 238)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	2 560 284	**2 560 284**	38
Payables from exchange transactions	93 544 000	28 688 000	**122 232 000**	94 940 394	**(27 291 606)**	25
Consumer deposits	399 000	12 874 000	**13 273 000**	409 368	**(12 863 632)**	31
Employee benefit obligation	2 075 000	86 000	**2 161 000**	804 000	**(1 357 000)**	26
Unspent conditional grants and receipts	-	-	-	5 084 978	**5 084 978**	39
Provisions - VAT	9 723 000	-	**9 723 000**	12 347 101	**2 624 101**	27
	105 741 000	**41 648 000**	**147 389 000**	**116 146 125**	**(31 242 875)**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	3 692 741	**3 692 741**	38
Employee benefit obligation	45 266 000	(28 127 000)	**17 139 000**	23 510 283	**6 371 283**	26
Provisions	4 988 000	(4 988 000)	-	-	-	
	50 254 000	**(33 115 000)**	**17 139 000**	**27 203 024**	**10 064 024**	
Total Liabilities	**155 995 000**	**8 533 000**	**164 528 000**	**143 349 149**	**(21 178 851)**	
Net Assets	**1 153 375 000**	**68 501 000**	**1 210 979 000**	**1 116 193 613**	**(94 785 387)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 153 375 000	68 501 000	**1 210 979 000**	1 116 193 613	**(94 785 387)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The accounting policies on pages 13 to 40 and the notes on pages 40 to 83 form an integral part of the annual financial statements.

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Presentation of Annual Financial Statements

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.

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

GRAP - 1 Presentation of Financial Statements
GRAP - 2 Cashflow Statements
GRAP - 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP - 5 Borrowing Costs
GRAP - 9 Revenue from Exchange Transactions
GRAP - 12 Inventories
GRAP - 13 Leases
GRAP - 14 Events after the reporting date
GRAP - 16 Investment Property
GRAP - 17 Property Plant and Equipment
GRAP - 18 Segment Reporting
GRAP - 19 Provisions, Contigent Liabilities and Contigent Assets
GRAP - 20 Related Party Disclosures
GRAP - 21 Impairment of Non-Cash Generating Assets
GRAP - 23 Revenue from Non-exchange Transactions
GRAP - 24 Presentation of Budget Information in Financial Statements
GRAP - 25 Employee Benefits
GRAP - 31 Intangible Assets
GRAP -103 Heritage Assets
GRAP -104 Financial Instruments
GRAP -108 Statatutory Receivables
GRAP -109 Accounting by Principals and Agents

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality.

GRAP - 1 Presentation of Financial Statements (Amended)
GRAP - 25 Employee Benefits (Revised)
GRAP -104 Financial Instruments (Revised)
IGRAP - 7 Defined Benefit Asset (Revised)
IGRAP - 21 Past Decisions on Materiality

Standards issued and not yet effective are disclosed in detail, including their nature under note 47 of the notes to the financial statements.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste network and other assets

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

Post-retirement benefits

The Municipality has defined benefit plan. 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.

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable 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.

Debtors impairment

Consumer debtors

The provision for impairment is measured per individual debtors using the recoverability rate per debtors. The municipality provide for all excluding debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenes are only debited to loan account when they are paid on behalf of the principal not when they are accreud.

Additional information is disclosed in Note 48.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

1.4 Investment property (continued)

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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

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

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

1.5 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.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

Transport assets and other plants and machinery have a residual value of 10% on cost of asset.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10-30
Roads, pavements, bridges and storm water	Straight-line	10-100
Street names, signs and parking meters	Straight-line	5
Electricity reticulation	Straight-line	20-50
Infrastructure assets	Straight-line	5-100
Other assets	Straight-line	2-15
Motor Vehicles	Straight-line	7-15
Plant and Equipment	Straight-line	2-15
IT Equipment	Straight-line	5-15
Office Equipment	Straight-line	5-15

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.

1.6 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5

1.7 Heritage assets

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

Recognition

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

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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).

1.8 Financial instruments

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity'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 entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Reclassification

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

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

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

1.8 Financial instruments (continued)

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

    - derecognise the asset; and

    - recognise separately any rights and obligations created or retained in the transfer.

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

Financial liabilities

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

Presentation

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

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

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

1.9 Cash and cash equivalents

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

Accounting Policies

1.10 Tax

Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. 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. The Municipality is registered at SARS for VAT on the payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991) .The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 as annouced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for Value added tax on accrual basis.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12 Inventories (continued)

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

1.14 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.

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.15 Provisions and contingencies

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

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

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

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

Where 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.

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.

1.15 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.16 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Service charges

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- 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;

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

.Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest income

Revenue arising from the use by others of entity assets yielding interest 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.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.18 Revenue from non-exchange transactions

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

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.

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

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

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.

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Property Rates (including collection charges and penalty interest)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to property.

Gain/ Loss on assets:

Gain/ loss on assets are recognised in the on the statement of financial performance as revenue from non-exchange transaction or non-cash expenditure

1.18 Revenue from non-exchange transactions (continued)

Government grants, subsidies and 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.

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the further of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position.

Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligation comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised. Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Fines

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

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

Accounting Policies

1.21 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. 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.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful 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. Fruitless and wasteful expenditure is also disclosed on the notes. It get de-recognised when condoned by the Council

1.24 Irregular expenditure

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

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

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

Irregular expenditure 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.

1.25 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.

Accounting Policies

1.25 Segment information (continued)

Measurement

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

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

1.26 Budget information

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

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

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

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

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

The municipality consider all variances which are +-10% to be material and explanations are provided for them

Comparative information is not required.

1.27 Related parties

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

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

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

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

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

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

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

1.27 Related parties (continued)

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

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

1.28 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.

1.29 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

1.30 Conditional grants and receipts

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

1.31 Expenditure

Expenditure is recognised as an expense when it is incurred (Accrual basis).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480 511	(301 943)	178 568	480 511	(292 927)	187 584

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	187 584	(9 016)	178 568

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	196 576	(8 992)	187 584

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 571 077	-	33 571 077	33 571 077	-	33 571 077
Buildings	373 732 971	(95 688 610)	278 044 361	378 861 055	(87 493 571)	291 367 484
Leasehold property	7 617 466	(1 368 028)	6 249 438	4 151 951	(3 913 071)	238 880
Plant and machinery	29 880 895	(17 496 348)	12 384 547	28 808 855	(15 453 119)	13 355 736
Motor vehicles	21 387 350	(12 613 340)	8 774 010	24 876 472	(14 584 993)	10 291 479
Infrastructure	989 949 831	(224 250 266)	765 699 565	883 676 975	(195 531 327)	688 145 648
Other assets	14 923 638	(13 390 212)	1 533 426	14 942 154	(12 702 327)	2 239 827
WIP - Infrastructure	58 623 671	-	58 623 671	82 497 155	-	82 497 155
WIP - Buildings	48 302 778	-	48 302 778	43 608 303	-	43 608 303
Total	**1 577 989 677**	**(364 806 804)**	**1 213 182 873**	**1 494 993 997**	**(329 678 408)**	**1 165 315 589**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Total
Land	33 571 077	-	-	-	-	-	-	33 571 077
Buildings	291 367 484	-	-	-	-	(12 516 134)	(806 989)	278 044 361
Leasehold property	238 880	7 617 466	-	-	-	(1 606 908)	-	6 249 438
Plant and machinery	13 355 736	1 303 986	(216 195)	-	-	(2 032 231)	(26 749)	12 384 547
Motor vehicles	10 291 479	686 595	(495 095)	-	-	(1 708 969)	-	8 774 010
Infrastructure	688 145 648	1 988 401	-	104 284 455	-	(28 581 044)	(137 895)	765 699 565
Other assets	2 239 827	194 133	(21 901)	-	-	(838 599)	(40 034)	1 533 426
WIP - Infrastructure	82 497 155	80 410 971	-	-	(104 284 455)	-	-	58 623 671
WIP - Buildings	43 608 303	4 694 475	-	-	-	-	-	48 302 778
	1 165 315 589	**96 896 027**	**(733 191)**	**104 284 455**	**(104 284 455)**	**(47 283 885)**	**(1 011 667)**	**1 213 182 873**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	33 571 077	-	-	-	-	-	-	-	33 571 077
Buildings	194 957 898	-	-	105 689 188	-	(9 279 602)	-	-	291 367 484
Leasehold property	1 622 863	-	-	-	-	(1 383 983)	-	-	238 880
Plant and machinery	15 556 277	100 000	(196 013)	-	-	(1 940 116)	(164 412)	-	13 355 736
Motor vehicles	10 642 922	2 532 858	(821 665)	-	-	(1 939 625)	(548 384)	425 373	10 291 479
Infrastructure	639 733 199	745 828	-	83 893 967	-	(25 441 887)	(10 785 459)	-	688 145 648
Other assets	3 052 693	58 550	(23 803)	394 726	-	(1 190 345)	(51 994)	-	2 239 827
WIP - Infrastructure	61 535 485	100 542 189	-	-	(79 580 519)	-	-	-	82 497 155
WIP - Buildings	143 721 248	10 305 896	-	-	(110 418 841)	-	-	-	43 608 303
	1 104 393 662	**114 285 321**	**(1 041 481)**	**189 977 881**	**(189 999 360)**	**(41 175 558)**	**(11 550 249)**	**425 373**	**1 165 315 589**

The following projects are taking long to complete due to various reasons

Project description	Carrying Amount 30 June 2024	Start Date	Planned Completion date	Revised Completion date	Reason for delay
WIP53 - MADUMELENG SHOTONG SPORTS COMPLEX	27 637 803	10 September 2018	10 March 2021	30 June 2024	The contractor was behind schedule and has abandoned the site. A notice of intention to terminate the contract was issued by the municipality in June 2024.
WIP57 - WARD 5 COMMUNITY HALL	2 898 307	04 October 2019	30 June 2021	Halted	Project completion delayed due to community stoppage due to disputed project site location. Council resolved that project be relocated to another site
	30 536 110				

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Property, plant and equipment (continued)

Pledged as security

None of the property, plant and equipment are pledged as security for financial liabilities.

The residual value and useful lives of property plant and equipment were reviewed and possible impairment has been assessed at reporting date

Other information

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		
Maintenance of Building and Facilities	10 757 650	5 316 487
Maintenance of Equipments	8 723 806	4 245 039
Maintanance of Other Assets	12,555 653	12 439 642
	32 037,109	**22 001 168**

Maintenance of property, plant and equipment

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

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 319 316	(1 289 617)	29 699	1 319 316	(1 249 885)	69 431

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software	69 431	(14)	(39 718)	29 699

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	133 302	(63 871)	69 431

Pledged as security

No carrying value of intangible assets were pledged as securities.

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103 000	-	103 000	103 000	-	103 000
Historical monuments and statues	556 424	-	556 424	556 424	-	556 424
Mayoral gold chain	195 000	-	195 000	195 000	-	195 000
Paintings	60 000	-	60 000	60 000	-	60 000
Total	**914 424**	**-**	**914 424**	**914 424**	**-**	**914 424**

Reconciliation of heritage assets 2024

	Opening balance	Total
Waterfall picnic site	103 000	103 000
Historical monuments and statues	556 424	556 424
Mayoral gold chain	195 000	195 000
Paintings	60 000	60 000
	914 424	**914 424**

Reconciliation of heritage assets 2023

	Opening balance	Additions	Total
Waterfall picnic site	103 000	-	103 000
Historical monuments and statues	140 218	416 206	556 424
Mayoral gold chain	195 000	-	195 000
Paintings	60 000	-	60 000
	498 218	**416 206**	**914 424**

Figures in Rand	2024	2023

5. Heritage assets (continued)

Pledged as security

No carrying value of heritage assets were pledged as security.

6. Employee benefit obligations

Defined benefit plans

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

	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(18 014 283)	(14 046 876)
Present value of the defined benefit obligation-partly or wholly funded	(6 300 000)	(5 253 611)
	(24 314 283)	**(19 300 487)**
Non-current liabilities	(23 510 283)	(17 139 116)
Current liabilities	(804 000)	(2 161 371)
	(24 314 283)	**(19 300 487)**

Post retirement benefit plan

6.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The postemployment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2024.

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

	2024	2023
Present value of the defined benefit obligation - wholly unfunded	19 310 000	15 406 000
Non-Current Liabilities	18 962 000	15 240 000
Current Liabilities	348 000	166 000
	19 310 000	**15 406 000**

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

	2024	2023
Opening balance	15 406 000	14 693 000
Benefits paid	(166 000)	(111 000)
Net expense recognised in the statement of financial performance	3 387 139	824 000
	18 627 139	**15 406 000**

Net expense recognised in the statement of financial performance

	2024	2023
Current service cost	1 152 000	1 163 000
Interest cost	1 926 000	1 735 000
Actuarial (gains) losses	245 139	(2 074 000)
	3 323 139	**824 000**

Figures in Rand	2024	2023

6. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	245 139	(2 074 000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.35 %	12.57 %
Medical contribution inflation rate	7.82 %	8.17 %
Average retirement age	62	62

The basis on which the medical aid inflation rate has been determined is as follows:

The medical aid inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 1.5% year on year.

We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities.

However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 12.35% per annum has been used. The corresponding index-linked yield at this term is 4.20%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2024.

These rates were calculated by using a liability-weighted average of the yields for the two components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

6. Employee benefit obligations (continued)

Other assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue:

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

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	19 310 000	15 406 000	13 394 100	12 180 000	9 439 171
Surplus (deficit)	(19 310 000)	(15 406 000)	(13 394 100)	(12 180 000)	(9 439 171)

6.2 Long service awards obligation

Long service benefits are awarded in the form of a percentage of salary and a number of leave days once an employee has completed a certain number of years in service.

An actuarial valuation of the obligation has been performed by Arch Actuarial Consulting on all employees that are entitled to long service awards as at 30 June 2024. As at the valuation date, the long service award liabilities of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

	2024	2023
Carrying value	6 300 000	5 657 000
Heading		
Non-current liabilities	5 844 000	5 052 000
Current liabilities	456 000	605 000
	6 300 000	**5 657 000**
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	5 657 000	5 584 000
Benefits paid	(605 000)	(752 000)
Net expense recognised in the statement of financial performance	1 248 000	825 000
	6 300 000	**5 657 000**
Net expense recognised in the statement of financial performance in general expenses		
Current service cost	575 000	572 000
Interest cost	610 000	578 000
Actuarial (gains) losses	63 000	(325 000)
	1 248 000	**825 000**
Calculation of actuarial gains and losses		
Actuarial (gains) losses - Obligations	63 000	(325 000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.05 %	11.38 %

Figures in Rand	2024	2023

6. Employee benefit obligations (continued)

Expected increase in salaries %	6.20 %	6.62
Average retirement age	62	62

The basis on which the normal salary inflation rate has been determined is as follow:

We have derived the underlying future rate of consumer price price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus. The salaries used in the valuation include an assumed increase on 1 July 2023 of 6.62%. The next salary increase was assumed to take place on 1 July 2024.

The basis on which the discount rate has been determined is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees. A one percentage point change in assumed normal salary inflation rate would have the following effects:

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

	2024	2023	2022	2021	2020
Defined benefit obligation	6 300 000	5 657 000	5 297 923	4 585 100	4 356 224
Plan assets	(6 300 000)	(5 657 000)	(5 297 923)	(4 585 100)	(4 356 224)
	-	-	-	-	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

- National Fund for Municipal Workers

- Municipal Gratuity Fund

- Municipal Employees Pension Fund

An increase in actuarial losses is attributable to an increase in the number of employee in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Inventories

Raw materials, components	15 698	-
Land Held for sale	1 259 000	1 259 000
Consumable stores	8 987 064	8 559 799
	10 261 762	**9 818 799**

Inventory pledged as security

No carrying value of inventory were pledged as security.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

The total of consumable store's is represented by items held for use in operations.

For Inventory amounts relating to stock losses due to theft and shortages, please refer to Note 41 - Fruitless and Wasteful expenditure.

8. Receivables from exchange transactions

Deposits	8 228 837	7 369 289
Sundry debtors	5 208 435	6 254 217
Impairment: Sundry Debtors	(5 366 464)	(4 229 219)
Mopani District Municipality	181 029 940	166 884 746
Impairment: Mopani District Municipality	(176 839 924)	(161 946 925)
	12 270 824	**14 332 108**

9. Receivables from non-exchange transactions

Fines	9 930 531	9 658 629
Consumer Debtors - Rates	85 539 121	73 712 240
Impairment of Consumer debtors - Rates	(82 686 195)	(68 575 330)
Impairmment debtors - Traffic fines	(9 922 981)	(9 672 311)
	2 860 476	**5 123 228**

Ageing for consumer debtors: Rates		
Current (0 - 30 days)	1 993 862	1 077 923
31 - 60 days	1 376 993	738 730
61 - 90 days	1 369 216	1 728 921
91 - 120 days	1 280 531	704 017
121 - 365 days	10 273 481	6 253 427
> 365 days	69 245 037	61 753 712
Less: Impairment	(84 443 241)	(68 575 330)
	1 095 879	**3 681 400**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged based on the Municipal Properties Rates Act, 2004 (Act No.6 of 2004) on all applicable properties under the dermacations of the Municipality)

Traffic fines are charged based on the offences as precribed by laws of the country.

Determination of transaction amount

The amount for property rates billing is determined through the impletemetation of the valuation roll that contains a list of propertieas and their market values for the determinatiion of the rates payablet

Traffic finea are charged in line with the type of offces and its charge as per the rates of determined in the by-laws and the Traffic Act

Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R95 469 652 (2023: R83 370 869) were impaired and provided for.

The amount of the provision was R(92 966 945) as of 30 June 2024 (2023: R(78 247 641)).

Factors the entity considered in assessing statutory receivables impaired

A payment rate was determined and used to calculate the amount of debt impairment at year end

Receivables from non-exchange transactions pledged as security

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

10. VAT receivable

VAT	1 337 889	2 892 777

11. Consumer debtors

Gross balances		
Electricity	37 092 291	35 110 479
Refuse	100 128 423	94 745 207
Other	29 867 161	29 743 464
	167 087 875	**159 599 150**
Less: Allowance for impairment		
Electricity	(32 981 546)	(29 279 938)
Refuse	(99 702 553)	(93 712 395)
Other	(28 348 419)	(28 299 198)
	(161 032 518)	**(151 291 531)**
Net balance		
Electricity	4 110 745	5 830 541
Refuse	425 870	1 032 812
Other	1 518 742	1 444 266
	6 055 357	**8 307 619**

Figures in Rand	2024	2023

11. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	202 317	115 598
31 - 60 days	317 183	58 015
61 - 90 days	67 277	51 694
91 - 120 days	108 962	55 481
121 - 365 days	401 761	224 534
> 365 days	3 013 245	5 325 219
	4 110 745	**5 830 541**

Refuse		
Current (0 -30 days)	2 871	3 353
0	2 621	3 185
61 - 90 days	2 653	3 207
91 - 120 days	2 450	2 978
121 - 365 days	19 795	23 204
> 365 days	395 480	996 885
	425 870	**1 032 812**

Business service levies		
Current (0 -30 days)	305	388
31 - 60 days	162	385
61 - 90 days	167	385
91 - 120 days	162	383
121 - 365 days	1 704	2 671
> 365 days	1 428 332	1 440 054
	1 430 832	**1 444 266**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 233 406	2 163 863
31 - 60 days	4 316 072	1 561 064
61 - 90 days	1 703 975	1 581 489
91 - 120 days	1 684 129	1 499 480
121 - 365 days	14 361 693	11 162 157
> 365 days	175 180 402	168 883 836
	200 479 677	**186 851 889**

Industrial/ commercial		
Current (0 -30 days)	393 273	1 153 546
31 - 60 days	938 496	761 988
61 - 90 days	817 971	700 324
91 - 120 days	1 293 370	533 400
121 - 365 days	4 255 499	3 306 351
> 365 days	24 963 003	25 762 563
	32 661 612	**32 218 172**

National and provincial government		
Current (0 -30 days)	238 713	250 301
31 - 60 days	188 719	72 785
61 - 90 days	194 323	1 021 825
91 - 120 days	129 252	261 949
121 - 365 days	1 286 610	1 030 764
> 365 days	6 022 885	5 441 097
	8 060 502	**8 078 721**

Total		
Current (0 -30 days)	3 865 392	3 567 711
31 - 60 days	5 443 287	2 395 837
61 - 90 days	2 716 269	3 303 638
91 - 120 days	3 106 751	2 294 829
121 - 365 days	19 903 803	15 499 271
> 365 days	148 797 365	132 537 864
	183 832 867	159 599 150
Less: Allowance for impairment	(177 777 510)	(151 291 531)
	6 055 357	**8 307 619**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(391 486 037)	(365 520 832)
Contributions to allowance	(41 778 723)	(25 965 205)
	(433 264 760)	**(391 486 037)**

Narration of Classification by CustomerNarration of Classification by Customer

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Assumptions used during the calculation of the Impairment of Debtors.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Consumer debtors (continued)

The debtors age analysis with the outstanding balance of each debtor as at year end 30 June 2024 was drawn from the system.

Each debtor was assessed individually based on the debtors payment history.

Twelve months payments report starting from 01 July 2023 to 30 June 2024 was for all other debtors and therefore recoverability rate was determined for each debtor.

The recoverability rate of each debtor's outstanding debt was calculated by taking the total payment for the period and divide it by the debtors outstanding balance at year end. All debtors who are over recoverable thus more than 100% recoverable are
not impaired.

All debtors who are less recoverable therefore with less than 100% recoverability rate ,the total debtors outstanding balance at
period end is impaired by the outstanding percentage therefore (100%).

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	12 454 221	3 582 784

The closing balance of cash book book varies with the closing balance of bank statements due to outstanding deposits and oustanding payments relating to revenue and expenditure at year end.

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
First National Bank - 52100005761 - Cheque Account	181 281	826 124	818 149	607 183	1 253 493	1 139 746
First National Bank - 62051705534 - Call account	87 566	578 635	144 482	1 393 312	1 981 953	200 242
ABSA Bank - Fixed deposit	150 340	134 918	127 967	150 340	139 417	125 388
Standard bank - Fixed deposit	10 108 541	-	-	10 082 933	-	-
First National Bank - 62855503811 - Solidarity fund	220 453	209 032	-	220 453	207 922	-
Total	**10 748 181**	**1 748 709**	**1 090 598**	**12 454 221**	**3 582 785**	**1 465 376**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Municipal Disaster Management Grant	5 084 978	3 900 000

Movement during the year

	2024	2023
Balance at the beginning of the year	3 900 000	-
Additions during the year	7 990 000	115 306 000
Income recognition during the year	(6 805 022)	(111 406 000)
	5 084 978	**3 900 000**

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; an unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2024	2023

13. Unspent conditional grants and receipts (continued)

14. Provisions - VAT

Reconciliation of provisions - vat - 2024

	Opening Balance	Movement	Total
Provision-SARS VAT	14 583 646	(2 236 545)	12 347 101

Provisions for VAT represent accrual VAT payable not yet due to SARS as the municipality is on Cash Basis and the AFS are prepared on an Accrual Basis.

There is an increase of R519 863 in the current year due to an increase in accrued VAT payables.

15. Payables from exchange transactions

	2024	2023
Trade payables	25 507 526	16 326 988
Payments received in advanced	10 025 059	10 986 840
Retentions	25 317 208	27 193 930
Accrued leave pay	19 358 470	13 295 641
Accrued annual bonus	2 572 085	2 374 529
Unallocated deposits	5 900 168	5 900 168
Other Creditors	6 259 878	5 074 578
	94 940 394	**81 152 674**

Trade payables age analysis

	2024	2023
Current (0 - 30 days)	25 476 336	16 301 924

16. VAT payable

17. Consumer deposits

	2024	2023
Electricity	409 368	411 065

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

No interest is paid on consumer deposits.

18. Revenue

	2024	2023
Service charges	32 016 397	23 034 576
Rental of facilities and equipment	196 610	222 761
Interest received - outstanding receivables	3 475 275	5 070 313
Agency services	3 127 597	3 400 549
Licences and permits	2 232 319	2 853 402
Other income	1 665 683	2 206 792
Interest received - investment	4 692 787	2 117 199
Property rates	20 036 611	13 342 128
Interest - Property Rates	236 499	570 976
Government grants & subsidies	459 373 024	453 366 000
Fines, Penalties and Forfeits	352 150	632 200
	527 404 952	**506 816 896**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	32 016 397	23 034 576
Rental of facilities and equipment	196 610	222 761
Interest received (trading)	3 475 275	5 070 313
Agency services	3 127 597	3 400 549
Licences and permits	2 232 319	2 853 402
Other income	1 665 683	2 206 792
Interest received - investment	4 692 787	2 117 199
	47 406 668	**38 905 592**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20 036 611	13 342 128
Interest - Property Rates	236 499	570 976
Transfer revenue		
Government grants & subsidies	459 373 024	453 366 000
Fines, Penalties and Forfeits	352 150	632 200
	479 998 284	**467 911 304**

19. Service charges

Sale of electricity	26 307 643	17 098 571
Solid waste	5 708 754	5 936 005
	32 016 397	**23 034 576**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	196 610	222 761

21. Fines, Penalties and Forfeits

Illegal Connections Fines	22 698	-
Municipal Traffic Fines	329 452	632 200
	352 150	**632 200**

22. Agency services

Management fees	3 127 597	3 400 549

23. Licences and permits (exchange)

Road and Transport	2 232 319	2 853 402

24. Lease rentals on operating lease

25. Other revenue

Other income	1 665 683	2 206 792

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Investment revenue

Interest revenue

Bank	4 692 787	2 117 199

27. Property rates

Rates earned

Residential	11 159 451	5 729 667
Commercial	1 087 614	-
State and Commercial	7 789 546	7 612 461
	20 036 611	**13 342 128**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants and subsidies

	2024	2023
Operating grants		
Equitable share	365 992 000	341 960 000
Finance Management Grant	2 000 002	2 000 000
Extended Public Works Programme	1 564 000	2 139 000
Energy Efficiency Management Grant	8 000 000	6 000 000
Municipal Disaster Management Grant	6 805 022	-
	384 361 024	**352 099 000**
Capital grants		
Municipal Infrastructure Grant	64 016 000	80 707 000
Integrated National Electrification Grant	10 996 000	20 560 000
	75 012 000	**101 267 000**
	459 373 024	**453 366 000**

Equitable Share

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

Finance Management Grant (FMG)

	2024	2023
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(2 000 000)	(2 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Extended Public Works Programme Grant (EPWP)

	2024	2023
Current-year receipts	1 564 000	2 139 000
Conditions met - transferred to revenue	(1 564 000)	(2 139 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Energy Efficiency Management Grant

	2024	2023
Current-year receipts	8 000 000	6 000 000
Conditions met - transferred to revenue	(8 000 000)	(6 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant

	2024	2023
Current-year receipts	64 016 000	80 707 000
Conditions met - transferred to revenue	(64 016 000)	(80 707 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Integrated National Electrification Grant

	2024	2023
Current-year receipts	10 996 000	20 560 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(10 996 000)	(20 560 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

29. Contracted services

	2024	2023
Presented previously		
Other Contractors	69 800	25 300
Outsourced Services		
Catering Services	3 381 605	2 041 224
Meter Management	707 358	633 243
Mini Dumping Sites	4 369 191	4 446 902
Security Services	170 592	341 202
Consultants and Professional Services		
Business and Advisory	13 267 048	11 290 476
Infrastructure and Planning	718 941	4 527 755
Legal Cost	15 895 014	11 540 561
Contractors		
Bore Waterhole Drilling	12 450	85 910
Electrical	12 075 061	21 273 735
Event Promoters	164 240	1 008 218
Fire Services	379 836	347 937
Maintenance of Buildings and Facilities	10 757 650	5 316 487
Maintenance of Equipment	8 712 396	4 245 039
Maintenance of Unspecified Assets	12 555 653	12 338 398
Pest Control and Fumigation	-	17 800
Transportation	140 475	130 240
Safeguard and Security	45 375 791	36 943 366
Sports and Recreation	1 386 389	217 989
Removal of Hazardous Waste	75 650	67 052
	130 215 140	**116 838 834**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. General expenses

Advertising	1 618 689	1 743 507
Auditors remuneration	5 323 740	4 895 952
Bank charges	311 542	453 042
Vehicle tracking	978 812	1 140 006
Commission paid	201 440	244 992
Stores and material	12 838 909	14 018 643
Hire	923 003	640 465
Insurance	5 522 451	4 991 269
IT expenses	6 624 832	8 097 771
Seminars Conferences Workshops and Events	303 300	188 349
Protective clothing	5 819 465	3 308 150
Research and development costs	-	3 913 043
Subscriptions and membership fees	1 836 305	1 475 064
Communication	3 515 832	4 112 497
Travel - local	10 904 387	13 270 033
Rentals for printers	3 401 358	2 885 059
Assets expensed	24 000	29 750
Electricity	5 530 106	4 368 273
Bursary scheme	216 186	608 416
Interns	2 976 782	180 689
Free basic services and rebates	915 022	516 582
Remuneration of ward committees	7 436 626	6 179 337
Other expenses	711 510	1 020 326
	77 934 297	**78 281 215**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Employee related costs

Basic	84 080 748	76 507 375
Bonus-13th Cheque	6 564 796	6 051 030
Medical aid - company contributions	6 922 817	6 423 244
UIF	579 300	510 963
WCA	615 653	479 808
SDL	1 434 341	1 219 654
Leave pay provision charge	9 980 538	2 459 697
Pension fund and other fund contributions	15 620 997	15 797 932
Travel, motor car, accommodation, subsistence and other allowances	1 996 468	702 672
Overtime payments	5 467 318	4 961 865
Long-service awards and Post Employment Medical Aid	1 833 769	368 467
Acting allowances	1 639 163	1 594 353
Car allowance	9 689 563	8 892 285
Housing benefits and allowances	548 489	1 643 102
Cellular and telephone allowance	1 460 555	854 330
	148 434 515	**128 466 777**

Remuneration of Municipal Manager

Annual Remuneration	1 192 657	621 352
Travel Allowances	84 000	14 000
KM Claims	52 332	9 674
Leave Pay	-	64 800
Cellphone Allowance	36 000	21 000
Computer Allowance	12 000	7 000
Back pay	47 427	-
Acting Allowance	-	113 636
Non Pensionable	-	150 000
CC - SDL	13 553	7 296
CC - UIF	2 125	1 240
CC - Bargain	-	54
	1 440 094	**1 010 052**

Mr Sewape M.O was the Municipal Manager for the year under review.

Remuneration of Chief Finance Officer

Annual Remuneration	58 080	140 371
Travel Allowance	16 000	30 000
Acting Allowance	238 196	219 709
Contributions to UIF, Medical and Pension Funds	-	354
KM Claims	2 265	5 982
Cellphone Allowance	19 500	7 800
Computer Allowance	-	2 000
Housing allowances	1 000	-
Leave Pay	-	139 023
CC - SDL	729	3 114
CC - UIF	177	3 540
CC - Bargain	-	21
	335 947	**551 914**

Ms Sesene AN was apponited as an acting Chief Financial Officer from June 2023 to May 2024. Ms Sesene AN was appointed as Chief Financial Officer from June 2024.

Remuneration of Senior Manager Corporate services

Annual Remuneration	883 498	851 035

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Employee related costs (continued)

Travel Allowance	180 000	180 000
Back Pay	54 061	6 389
Contributions to UIF, Medical and Pension Funds	-	2 125
KM Claims	37 629	28 351
Computer Allowance	12 000	12 000
Cellphone Allowance	36 000	36 000
CC - SDL	11 296	3 114
CC - UIF	2 125	3 540
CC - Bargain	-	21
	1 216 609	**1 122 575**

Mr Lekhota P.L was the Senior Manager for Corporate Services for the year under review.

Remuneration of Senior Manager Community Services

Annual Remuneration	428 780	500 854
Travel Allowance	90 000	49 000
KM Claim	17 622	16 695
Non Pensionable	-	49 000
Contributions to UIF, Medical and Pension Funds	-	1 417
Acting Allowance	-	68 596
Computer Allowance	5 000	16 200
Cellphone Allowance	18 000	21 000
Leave Pay	-	199 211
Back Pay	-	42 062
CC - SDL	5 238	8 094
CC - Bargain	-	75
CC - UIF	1 063	3 540
	565 703	**975 744**

Ms Shoroma L was appointed as an acting Senior Manager for Community Services from February 2023 to October 2023. Mr Mogale D.L was appointed as an acting Senior Manager for Community Services from November 2023 to December 2023. Mr Mamatlepa M.L was appointed as Senior Manager for Community Services from January 2024 to June 2024.

Remuneration of Senior Manager Technical Services

Annual Remuneration	979 498	757 778
Travel Allowance	84 000	14 000
Back Pay	30 059	42 062
Acting Allowance	-	38 872
Contributions to UIF, Medical and Pension Funds	-	1 771
Computer Allowance	12 000	8 000
Cellphone Allowance	36 000	27 000
Bonus	-	42 324
KM Claims	53 775	5 476
Leave Pay	-	215 751
CC - SDL	11 248	11 042
CC - Bargain	-	75
CC - UIF	2 125	3 540
	1 208 705	**1 167 691**

Ms Nhlane G was the Senior Manager for Technical Services for the year under review.

Remuneration of Senior Manager Development and Town Planning

Annual Remuneration	-	542 854
Travel Allowance	-	21 000
Non Pensionable	-	35 000

Figures in Rand	2024	2023

31. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	-	1 417
KM Claims	-	20 318
Computer Allowance	-	7 000
Cellphone Allowance	9 000	21 000
Leave Pay	-	195 061
Acting Allowance	79 250	58 787
Back Pay	53 603	42 062
CC - SDL	-	8 865
CC - Bargain	-	76
CC - UIF	-	3 540
	141 853	**956 980**

Mr Rababalela M.E was appointed as an Acting Senori Manager for Development and Town Planning from February 2023 to December 2023. Mr Shihundla J was appointed as an acting Senior Manager for Development and Planning from January 2024 to June 2024.

32. Remuneration of councillors

Mayor	996 500	945 002
Executive Committee	10 701 087	10 054 637
Speaker	806 420	763 923
Councillors	19 609 703	12 399 695
	32 113 710	**24 163 257**

In-kind benefits

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

Additional information

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.

33. Depreciation and amortisation

Property, plant and equipment	47 290 409	42 162 952
Investment property	9 016	8 992
Intangible assets	33 150	63 871
	47 332 575	**42 235 815**

34. Impairment and Gain/Loss on assets

Property, plant and equipment	1 011 667	11 124 876
Gain/Loss on assets	(423 744)	(1 661 313)
	587 923	**9 463 563**

The significant decrease in impairment loss is mainly attributable to impairment of infrastracture assets amounting to R10 113 209 which was recognised in the current year.

Figures in Rand	2024	2023

35. Debt impairment

Debt impairment	42 845 074	25 965 205

36. Bulk purchases

Electricity - Eskom	19 859 883	16 897 055

37. Auditors' remuneration

Fees	5 323 740	4 895 952

38. Cash generated from operations

Surplus	25 870 938	69 737 163
Adjustments for:		
Depreciation and amortisation	47 332 575	42 235 815
Gain/ loss on assets	(423 744)	(1 527 700)
Finance costs - Finance leases	155 668	23 457
Impairment deficit	1 011 667	11 124 876
Debt impairment	42 845 074	25 965 205
Movements in retirement benefit assets and liabilities	5 013 796	608 464
Movements in provisions	2 236 545	9 416 561
Actuarial gains/ losses	(308 139)	-
Changes in working capital:		
Inventories	(442 963)	(1 543 310)
Receivables from exchange transactions	(13 970 371)	(19 868 205)
Consumer debtors	(7 583 094)	(6 267 616)
Other receivables from non-exchange transactions	-	(119 974)
Statutory receivables	(12 098 783)	(981 637)
Finance lease obligations	2 321 924	-
Payables from exchange transactions	13 788 080	(3 196 168)
Unspent conditional grants and receipts	1 184 978	3 900 000
Consumer deposits	(1 697)	11 907
	106 932 454	**129 518 838**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	178 593 163	144 534 132
• Prior year corrections	-	89 650
• Operational	6 712 550	9 971 966
	185 305 713	**154 595 748**

Total capital commitments		
Already contracted for but not provided for	185 305 713	154 506 098
Not yet contracted for and authorised by accounting officer	-	10 000
	185 305 713	**154 516 098**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Contingent Liabilities

Description		
1. Hennox 60 CC - The Municipality is sued R3 635 396.33 for damages caused to the Plaintiff's house due to non maintenance of the storm water pipes crossing the Plaintiff's yard. The matter is being defended and still pending.	18 134 526	15 618 755
2. Star Mirl - The Municipaty is sued R7 069 436.52 by the Plaintiff. The Plaintiff allages that while appointed as a service provider for the Municipality, the latter paid a person not so authorised by the Plaintiff. The matter is being defended and still pending.	7 069 437	7 069 437
3. Terror Trading Enterprise - The Municipality is sued R4 374 783.30 by the Plaintiff. The Plaintiff alleges that the contract awarded to him was terminated unlawfully so by the Municipality. The matter is being defended and still pending.	13 381 642	11 528 400
4. JM Rakomane O.B.O MT Rakomane - The Municipality is sued R915 000.00 by the Plaintiff. The Plaintiff is acting on behalf of his child and issuing the Municipality for alleged injuries sustained by the child on Municipal property (Stadium). The matter is on a pleading stage.	1 185 517	1 102 849
5. Voltex (Pty) Ltd - The Municipality is sued for R147 517.36 by the Plaintiff. The Plaintiff was the service provider of the Municipality and is suing the latter for the work allegedly done. The matter is being defended and still pending.	226 865	211 571
6. Hlamalani Ben Maselesele - The Municipality is sued R40 951.36 by the Plaintiff. The Plaintiff alleges that the municipality had failed to mantain internal street at Ga-Kgapane suffered damages after falling into a huge pothole. The matter is being defended and still pending.	40 951	40 951
7. Lesly Cecelia Ndleve - The Municipality is sued R23 915.03 by the Plaintiff. The Plaintiff is seeking a mandatory order demanding that the property sold to him be transaferred.	23 915	23 915
	-	-
8. Maile Rufus - The Municipality is sued R30 000.00 by the Plaintiff. The Plaintiff is suing the Municipality for damages caused by uncontrolled storm channe.	30 000	30 000
9. Vincent Marelele - The Municipality is sued R20 000.00 by the Plaintiff. The plaintiff is suing the municipality for damages caused by unmaintained road. The matter is being defended and still pending.	26 153	26 153
10. Burica (Pty) Ltd - The Municipality is sued R238 977.24 by the Plaintiff. The Plaintiff is suing the municipality for alleged outstanding contractual money for service rendered. The matter is being defended and still pending.	271 345	248 074
11. SABI Daviel Malubeke - The Municipality is sued R52 000.00 by the Plaintiff. The Plaintiff is suing the municipality for alleged damages suffered because of the accident that occurred between the Plaintiff's vehicle and that of the municipality.	52 000	-
12. Emmanuel Ramothibedi Sebasa - The Municipality is sued R100 000.00 by the Plaintiff. The municipality is sued by one of the residents who alleged that he suffered personal injuries after falling in unguarded low level bridge in Ga-Kgapane township.	100 000	-
	40 542 351	**35 900 105**

Contingent liabilities whose financial effect cannot be estimated reliably

13. Maite Hellen Ramalepe - There is ongoing legal action initiated by the Plaintiff to prevent the municipality from withdrawing the trading license issued to one of the respondents. The financial effect of this contingent liability cannot be estimated reliably at this stage.

14. Fanni Venter and Seuns Boedery (Pty) Ltd and Bertie Van Zyl (Pty) Ltd - There is an ongoing application for rescission and a defense against the subsequent application made by the applicants. This legal action relates to the Unlawful township establishment on portions 11-14 of the farm Paard-Edood 186-LT. The financial effect of this contingent liability cannot be estimated reliably at this stage.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Related parties

Relationships	
Members of key management	MO Sewape (Municipal Manager) AN Sesene (Chief Financial Officer) G Nhlane (Senior Manager: Technical Services) MP Lekhota (Senior Manager: Corporate Services) L Mamatlepa (Senior Manager: Community Services) J Shihundla (Acting Senior Manager: Development and Planning) Councillors - Refer to note below.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial or operational decision. For a detailed list of councillors refer to page 1 and 2 of the AFS.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decision.

For detailed amounts with respect to Members of key management kindly refer to Note 30.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate 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.

Default and breaches

There was no default and breaches for the applicable liabilities of the municipality

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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. No changes were made to the funding method and method used to assess the risk.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Risk management (continued)

Credit risk

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.

Credit risk is managed on through implementation of the municipality credit risk policy.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. No changes were made on the method of assessment.

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

Financial instrument	2024	2023
Receivables from exchange transactions	12 270 824	14 332 108
Receivables from non exchange transactions	2 860 476	5 123 228
VAT Receivable	1 337 889	2 892 777
Consumer debtors	6 055 357	8 307 619
Trade and other payables	(94 940 394)	(81 152 674)
Consumer deposits	(409 368)	(411 065)

For financial assets which are past due and impaired refer to note 8, 9 and 11. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral. Consumer deposits are disclosed on note 16.

Market risk

Interest rate risk

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.

Interest risk arises from receivables and financial assets
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. Currently the municipality does not have any long term borrowing.

The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. The was not changes on the policy and the method use

	2024	2023
Financial Liabilities		
Employee benefit obligation	25 585 098	19 300 487

43. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	505 083 463	471 956 748
Opening balance as restated	**505 083 463**	**471 956 748**
Add: Expenditure identified - current	83 326 794	33 126 715
Less: Condoned by council	(412 282 025)	-
Closing balance	**176 128 232**	**505 083 463**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	660 513	3 081 021
Opening balance as restated	**660 513**	**3 081 021**
Add: Expenditure identified - current	14 465	127 206
Add: Stock losses due to theft and shortages	96 864	467 995
Less: Amount written off - current	-	(2 945 551)
Less: Current year recoveries	(8 391)	(30 146)
Less: Interest written off	(13 999)	(40 012)
Closing balance	**749 452**	**660 513**

45. Irregular expenditure

	2024	2023
Opening balance as previously reported	20 058 994	23 495 179
Opening balance as restated	**20 058 994**	**23 495 179**
Add: Irregular Expenditure - current	3 921 297	16 284 147
Less: Amount written off - current	-	(19 720 332)
Closing balance	**23 980 291**	**20 058 994**

Analysis of expenditure awaiting condonation per age classification

	2024	2023
Current year	122 076	16 284 147

Amounts written-off

	2024	2023
Current year write-off	-	(19 720 332)

46. Additional disclosure in terms of Municipal Finance Management Act

SALGA

	2024	2023
Current year subscription / fee	1 473 064	1 493 897
Amount paid - current year	(1 473 064)	(20 833)
	-	**1 473 064**

Electricity distribution losses

	2024	2023
Kwh units purchased from Eskom	(9 790 708)	(9 897 311)
Kwh units sold per billing system statistics	9 766 745	6 271 576
Distribution savings / (losses)	**(23 963)**	**(3 625 735)**

Audit fees

	2024	2023
Current year subscription / fee	5 323 740	5 127 948
Amount paid - current year	(5 323 740)	(4 859 528)
	-	**268 420**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

PAYE, UIF and SDL

Current year subscription / fee	27 914 205	19 465 038
Amount paid - current year	(25 581 558)	(17 575 428)
	2 332 647	**1 889 610**

Pension and Medical Aid Deductions

Current year subscription / fee	23 383 937	24 227 927
Amount paid - current year	(21 430 394)	(21 132 952)
	1 953 543	**3 094 975**

Councillors' arrear consumer accounts

MFMA section 124(1)(b) also requires disclosure of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding. The following councillors had outstanding balances as at 30 June 2024:

30 June 2024	Current (0 - 30 days) R	Outstanding more than 90 days R	Total R
Cllr Mosila RT	2 018	-	2 018
Cllr Matlou MP	1 813	-	1 813
	3 831	**-**	**3 831**

47. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements. The total deviations for the year under review amounted to R3 884 036.33 (2023: R20 368 046.20)

48. Entities that are part of a Principle vs Agent arrangement

The Municipality is part of a principle vs agent arrangement with Mopani District Municipality and Department of Transport. In this arrangement, the Municipality is the agent and is acting on behalf of Mopani District Municipality and Department of Transport by providing Water and sewerage services for Mopani District Municipality and licences and permit services for Department of Transport.

Municipality acting as an agent

Revenue recognised as compensation for the trannsactions carried out on behalf of the principal.	3 127 597	474 459
Revenue received or to be received on behalf of the principal.	12 668 118	10 033 277
Expenditure incurred on behalf of the principal	13 705 882	18 078 203
	29 501 597	**28 585 939**

Figures in Rand	2024	2023

48. Entities that are part of a Principle vs Agent arrangement (continued)

Receivables held on behalf of the principal		
Opening balance	91 170 368	87 647 116
Revenue receivables	12 668 118	10 033 277
Amount received	(4 356 908)	(6 510 025)
	99 481 578	**91 170 368**

Payables held on behalf of the principal		
Expenses incurred	13 705 882	18 078 203
Cash paid	(13 705 882)	(18 078 203)
	-	-

If any party commits a breach of the contract, it shall deliver a written notice to the defaulting party notifying it of the breach giving rise to such right and requesting the defaulting party to remedy the breach in question within a period of 20 days.

The Municipality is responsible for ensuring that consumers have access to water services in accordance with the constitution of The Republic of South Africa, 1996, the Municipal Structures Act (Act 33 of 1998) and the Act.

The District Municipality has subsequent to assessments in terms of section 78 of the Municipal Systems Act (No 32 of 2000), selected a service delievery agreement with the local Municipality as the preffered service delievery within the water services area.

Greater Letaba is providing water services to the consumers within the water service area on the effective date, in accordance with the Coorperative Governance Agreement entered into between Mopani and Greater Letaba upon authorization issued by the Minister of Provincial and Local Government Affairs in terms of the Municipal Structures Act (Act 33 of 1998) as repealed.

There were no changes that occured in the current year.

49. Finance lease obligation

Minimum lease payments due		
- within one year	2 560 284	238 360
- in second to fifth year inclusive	3 692 741	-
Present value of minimum lease payments	**6 253 025**	**238 360**

Non-current liabilities	3 692 741	-
Current liabilities	2 560 284	238 360
	6 253 025	**238 360**

The finance lease relates to the lease of 75 rental network printing and photocopying machine as well as 80 laptops for a period of 3 years.

The average lease term was 3 years and the average effective borrowing rate was 12%.

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

50. Taxes and transfers payable (non-exchange)

The amount of liabilities forgiven is R - (2023: R -).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

51. Interest received

Interest - Property rates	236 499	570 976
Interest received - Outstanding receivables	3 475 275	5 070 313
	3 711 774	**5 641 289**

52. Finance costs

Finance leases	155 668	23 457
Employee benefit obligation	2 363 368	2 135 046
	2 519 036	**2 158 503**

53. Prior period errors

Nature of the error

53. Prior period errors (continued)

1. Heritage assets

Heritage assets as at 30 June 2023 was misstated by R50 282. The error was corrected in the current year by restating opening balances.

2, Property, plant and equipment

Property, plant and equipment as at 30 June 2023 was misstated by R965 635. The error was corrected in the current year by restating opening balances.

3. Cash and cash equivalent.

Cash and cash equivalent as at 30 June 2023 was misstated by R364 254. The error was corrected in the current year by restating opening balances.

4. Licences and permits

Licences and permits as at 30 June 2023 was misstated by R1 121 545. The error was corrected in the current year by restating opening balances.

5. Depreciation and impairment

Depreciation and impairment as at 30 June 2023 was misstated by R987 430. The error was corrected in the current year by restating opening balances.

6. Receivables from exchange transaction

Receivables from exchange transaction as at 30 June 2023 was misstated by R206 044. The error was corrected in the current year by restating opening balances.

7. Provision - VAT payables

Provision - VAT payables as at 30 June 2023 was misstated by R5 860 174. The error was corrected in the current year by restating opening balances.

8. Payables from exchange transactions

Payables from exchange transactions as at 30 June 2023 was missted by R1 554 953. The error was corrected in the current year by restating opening balances.

9. Debt impairment

Debt impairment as at 30 June 2023 was misstated by R5 268 588. The error was corrected in the current year by restating opening balances.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Prior period errors (continued)

Statement of Financial Position	Note	As previously reported	Correction of errors	Reclassification	Total
Current Assets		-	-	-	-
Receivables from exchange transactions	'8	14 538 152	(206 044)	-	14 332 108
Cash and cash equivalents	'12	3 218 530	364 254	-	3 582 784
Non-Current Assets				-	-
Property, plant and equipment	'3	1 166 281 189	(987 430)	21 830	1 165 315 589
Heritage assets	'5	964 706	(50 282)	-	914 424
Current Liabilities		-	-	-	-
Payables from exchange transactions	'15	(82 685 801)	1 554 953	(21 830)	(81 152 678)
Provision	'14	(8 723 472)	(5 860 174)	-	(14 583 646)
Non-Current Liabilities		-	-	-	-
		1 093 593 304	**(5 184 723)**	**-**	**1 088 408 581**

Statement of Financial Performance	Note	As previously reported	Correction of errors	Reclassification	Total
Revenue		-	-	-	-
Licences and permits	'23	(1 731 857)	(1 121 545)	-	(2 853 402)
Expenditure		-	-	-	-
Depreciation and amortisation	'33	41 248 421	987 394	-	42 235 815
Debt Impairment	'35	20 696 617	5 268 588	-	25 965 205
Gain/ Loss on assets		(1 711 595)	50 282	-	(1 661 313)
		58 501 586	**5 184 719**	**-**	**63 686 305**

54. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 1 116 196 944 and that the municipality's total assets exceed its total liabilities by R 1 116 196 944.

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.

As at 30 June 2024, the municipality only had R12 454 221 cash on hand and this may not be sufficient enough to:

- To pay for trade creditors to the value of R26 million in the next 12 months.
- To pay for retentions amounting to R25 million that is payable to service providers whose projects has been completed in the current year.
- The unknown deposits amounting to R6 million and income received in advance of R10 million which the municipality has an obligation to pay back to the customers is not backed by the cash in the bank.

Although the issues above present significant uncertainties; there are a number of mitigating factors to enable the municipality to continue as a going concern:

Financial Considerations in line with the Requirements of GRAP:
Management have concluded that the municipality is not intending to liquidate anytime soon.
The municipality is not reliant on credit/loans.
There is no significant deterioration of assets that generate revenue for the municipality.

The municipality will prioritize projects that are grant funded while planning on a turnaround to boost its own revenue as presented below:

Revenue Generating Activities:
The municipality will implement its revenue enhancement strategy in 2024/2025 financial year

Mopani District Muncipality owes the municipality an amount of R181 million and the payment is expected to be received by the Greater Letaba Municipality in 2024/2025 financial year. The payment of this amount will assist the municipality with meeting its own funded service delivery objectives.

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 of the municipality.

55. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

55. Segment information (continued)

Identification of segments

dentification of segments

The report is organized based on municipality departments which are reportable segments and where performance is measurable. Management uses these same segments for compilation of the IDP, SDBIP, budget and monthly and quarterly reporting. The segments were organized around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The following are the reportable segments if the municipality.

Executive and Council

Provides political leadership to the municipality for the generation of economic benefits and service potential

Through the office of the Municipal Manager it also provides for the administration, leadership, performance monitoring, integrated development plan, risk management and internal audit functions to the municipality for the generation of economic benefits and service potential.

Budget and Reporting

Provides financial administration to the municipality for the generation of economic benefits and service potential

Community Services and Public Safety

Provides social services, public safety, public spaces, libraries and indigents administration to the municipality for the generation of economic benefits and service potential

Planning and Development

Provides for waste management, town planning, local economic development and environment sustainability for the generation of economic benefits and service potential

Technical Services

Road transport, electricity, housing and building inspection, project management unit, wastewater management and all infrastructure services to the municipality for the generation of economic benefits and service potential

55. Segment information (continued)

Corporate Services and Administration

Provides legal and administration management services including HR and IT to the municipality for the generation of service potential

Geographical considerations:

Greater Letaba Municipality (GLM) is in the north-eastern part of the Limpopo Province in the jurisdiction area of Mopani District Municipality. Greater Letaba Municipality shares borders with Greater Tzaneen Municipality in the south, Greater Giyani Municipality in the east, Molemole Municipality in the west and Collins Chabane Municipality in the north.

Greater Letaba Municipal area is one of the smaller municipal areas in terms of land area, and characterized by contrasts such as varied topography, population densities (low in the south, relatively dense in the north-east), prolific vegetates in the south (timber) and sparse in the north (bushveld).

The "gates" to the municipal area are considered to be Sekgopo in the west and Modjadjiskloof in the south. The land area of Greater Letaba Municipality extends over approximately 1891km². Greater Letaba Municipality incorporates the proclaimed towns of Modjadjiskloof, and Ga-Kgapane, situated in the extreme south of the municipal area, and Senwamokgope towards the north-west of the area of jurisdiction

Management has as per the GRAP standards decided to report on Greater Letaba Municipality as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

55. Segment information (continued)

Aggregated segments

The report is organised based on the municipality departments which are reportable segments and where performance is measurable. Management uses these same segments for compilation of the IDP, SDBIP, Budget, monthly and quartely reporting. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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The following are the reportable segments of the municipality:

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Budget and Reporting
Provides financial administration to the municipality for the generation of economic benefits and service potential

Community Services and Public Safety
Provides social services, public safety, public spaces, libraries and indigents administration to the municipality for the generation of economic benefits and service potential

Planning and Development
Provides waste management, town planning, local economic development and environment sustainability for the generation of economic benefits and service potential.

Technical Services
Road transport, electricity, housing and building inspection, project management unit solid waste management and all infrastructure services to the municipality for the generation of economic benefits and service potential

Corporate Services and Administration
Provide legal and administration management services including HR and IT to the municipality to the municipality for the generation of service potential

Geographical consideration:
Greater Letaba Municipality (GLM) is in the north-eastern part of the Limpopo Province in the jurisdiction area of Mopani District Municipality. GLM shares borders with Greater Tzaneen Municipality in the south, Greater Giyani Municipality in the in the east, Molemole Municipality in the west and Makhado Local Municipality in the north.
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GLM incorporates the proclaimed towns of Modjadjiskloof, and Ga-Kgapane, situated in the extreme south of then municipal area, and Senwamokgope towards the north-west of the area of jurisdiction

Management has as per the GRAP standards decided to report on GLM as a single Geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, it would be therefore not be in the best interest of the users of the financial statements to develop geographical area information for reporting.

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2024

	Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Budget and Reporting	388 287 810	10 430 070	398 717 880	21 545 658	560 716	78 302 682	100 409 056	298 308 824
Community and Public Safety	764 235	26 571 474	27 335 709	51 755 399	177 100	18 535 576	70 468 075	(43 132 366)
Corporate and Administration	-	-	-	18 324 791	15 732 443	73 541 549	107 598 783	(107 598 783)
Executive and Council	-	-	-	50 015 759	1 288 721	41 531 592	92 836 072	(92 836 072)
Planning and Development	-	-	-	10 573 622	-	2 363 032	12 936 654	(12 936 654)
Technical Services	90 946 239	27 049 155	117 995 394	30 349 693	30 583 784	72 053 436	132 986 913	(14 991 519)
Total	**479 998 284**	**64 050 699**	**544 048 983**	**182 564 922**	**48 342 764**	**286 327 867**	**517 235 553**	**26 813 430**
Entity's revenue			**544 048 983**					
Other reconciling items								
Impairment Gains/losses								(1 011 667)
Actuarial Gains/losses								(308 139)
Gains/ losses on assets								423 744
Entity's Surplus (deficit) for the period								**25 917 368**

2023

	Revenue from non-exchange transactions	Revenue from exchange transactions	Other revenue	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Revenue									
Budget and Reporting	376 029 134	7 284 915	750 668	384 064 717	20 054 935	2 753 826	18 748 893	41 557 654	342 507 063
Community and Public Safety	3 172 573	8 817 225	-	11 989 798	38 249 597	189 913	31 104 058	69 543 568	(57 553 770)
Corporate and Administration	-	-	-	-	22 140 687	11 616 778	37 844 893	71 602 358	(71 602 358)
Executive and Council	-	-	-	-	13 469 401	-	109 939 374	123 408 775	(123 408 775)
Planning and Development	-	-	-	-	9 673 109	-	6 665 753	16 338 862	(16 338 862)
Technical Services	24 894 946	18 606 857	-	43 501 803	18 270 439	27 830 321	48 081 825	94 182 585	(50 680 782)
Total	**404 096 653**	**34 708 997**	**750 668**	**439 556 318**	**121 858 168**	**42 390 838**	**252 384 796**	**416 633 802**	**22 922 516**
Entity's revenue				**439 556 318**					
Other reconciling items									
Impairment loss									(1 456 406)
Acturial Gain/losses									744 730
Entity's Surplus (deficit) for the period									**22 210 840**

Segment assets and liabilities

2024

	Non-current assets	Current assets	Total segment assets	Total segment liabilities
Budget and Reporting	833 191 250	923 166 005	1 756 357 255	14 486 727
Community and Public Safety	61 862 348	(97 725 182)	(35 862 834)	9 854 302
Corporate and Administration	3 787 891	(202 741 478)	(198 953 587)	(7 050 469)
Executive and Council	1 335 358	(135 511 921)	(134 176 563)	(2 023 750)
Planning and Development	-	(20 330 243)	(20 330 243)	(48 861)
Technical Services	314 128 717	(421 616 652)	(107 487 934)	129 459 983
Total segment assets	**1 214 305 564**	**45 240 529**	**1 259 546 094**	**144 677 932**
Total as per Statement of financial Position			**1 259 546 094**	**144 677 932**

2023

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Non-current assets	Current assets	Total segment assets	Total segment liabilities
Budget and Reporting	916 971 547	463 149 112	380 120 660	(147 160 338)
Community and Public Safety	58 667 161	(75 118 614)	(16 451 453)	9 422 462
Corporate and Administration	1 607 555	(73 181 662)	(71 574 107)	3 158 176
Executive and Council	-	(63 335 225)	(63 335 225)	1 042 646
Planning and Development	-	(12 144 587)	(10 885 587)	875 316
Technical Services	128 261 876	(211 822 610)	(83 560 733)	28 398 987
Total segment assets	**105 508 139**	**27 546 414**	**134 313 555**	**(104 262 751)**
Total as per Statement of financial Position			**134 313 555**	**(104 262 751)**

Other information

2023

*Capital expenditure excludes additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

56. Budget differences

Material differences between budget and actual amounts

56. Budget differences (continued)

1. Service Charges

The municipality's actual performance reflects how well estimataion were made regarding reveneue collection improvements.

2. Interest received- Outstanding receivables

The municipality received interest lower by 2% due to various reasons affecting debtors accounts when payments are made..

3. Agency services

The declided as a result of Mopani District Municipality not adherering to the service level agreement by not paying agency fees to the municipality for the services rendered on its behalf.

4. Licence and permits

The variance is as a results of recognised agency fee for licence and permits on the revenue paid to the municipality against orginal estimates for collection.

5. Other income

The municipality unticipated to receive more income from other sources of revenue in a year under review.

6. Interest received- investments

Interesr received on investment increased as a result of additional investments made during the course of the financial year.

7. Property rates

It appears that the decline of 6% is as a result of flate rate and there were no supplementary implemetered in the year under review.

8. Interest- Property Rates

The under performance is as a result of no charges on the properties due to correct accounting treatment of rates charges.

9. Rental of facilities and equipment

The variance is as a result of over estimation for demand of facilitties and equipment and some rentals are seasonal especially outdoor events spaces.

10. Government grants & subsidies

The variance is is mainly due to conditional grants received during the year that were not budgeted for.

11. Employee related costs

The employee cost was under budgeted and new employees joined the municipality during the financial year.

12. Councillor remuneration

The amount was not fully spent as councillors did not receive any upper limits in the current year.

13. Depreciation and amortisation

The municipality under budgeted on depreciation, thus the huge variance.

14. Debt impairment

The municipality had not budgeted for debt impairment, this was corrected in 2022/2023 budget.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

56. Budget differences (continued)
15. Bulk Purchases

This is due to the increase in consumers demand and eskom increase in electricity tariffs

16. Contracted services

The over spending is due to MSCOA classification, some item where budgeted for as general expenses but had to be reclassified to contracted services.

17. Finance costs

Finance costs was not budgeted for in 2021/2022, this was corrected in the current year budget.

18. General expenses

The municipality did not perform all the budgeted activities due to cashflow contraints as we are not collecting from the consumer debtors.

19. Fines, penlties and forfeits
More fines were issued as compared to the budgeted figure

20. Inventories
The increase is due to the reclassification of land held for sale to inventory during the year under review.

21.Receivable from exchange transactions
The variance is due to the fact that the municipality did not budget for debt impairment

22. Receivable from non-exchange
The budget for non-exchange for non-exchange is included in the exchange receivables

23. Vat Receivable
The variance in VAT receivable is due to weak payment of municipal services by consumers.

24. Property Plant and Equipment
The variance is due to the reclassifications of land held for sale as well as assets donated to the municipality

25. Payables from Exchange Transaction
The variance is attributable to outstanding creditors at year end.

26. Employee benefit obligations

The municipality budget for more employee benefits during the year under revie,w

27. VAT Provision
The municipality did not budget for the VAT during the year under review.

28. Cash and cash equivalent

The variance in cash and cassh equivalents is primarily due to substantial payments made for payables from exchange transactions at the end of the year. These payments were higher than anticipated, leading to a decrease in cash reserves.

29. Intangible assets

The variance in intangible assets is primarily due to the anticipated obsolence in computer softwares that did not occur.

30. Heritage assets

The variance in heritage assets is primarily due to the anticipated additions during the year that did not occur.

31. Consumer deposits

56. Budget differences (continued)
The variance in consumer deposits is primarily due to anticipated electricity deposits from townships that are being developed which are still underway.

32. Gain on disposal of assets

The variance in gain on desposal of assets is mainly due to anticipated actual desposal of assets that was lower that expected, leading to a decrease on gains.

33. Remuneration of councillors

The variance in remuneration of coucillors is as a result of anticipated vacancies in council that actual.

34. Impairment losses/ reversal

The variance is due to unbadgeted impairment loss as there were not loss indicators during the budget period.

35. Transfer and subsidies - capital

The variance in transfers and subsidies - capital are due to anticipated grants that were not received.

36. Actuarial gains/ losses

The variance in actuarial gains/ losses are due to unbudgetted gains or losses given the improvement in South African economy.

37. Consumer debtors

The variance is due to unbudgetted consumer debtors as the municipality anticipated to effectively impliment credit control measures.

38. Finance lease obligations

The variance is due to unbudgted lease obligations as the municipality anticipated to procure its own assets.

39. Unspent conditional grant

The municipality anticipated to spent all its conditional grant at year end hence the variance.

40. Investment properties

The variance is due to anticipated addition in investment properties emenating from development of townships that is still underway.