Ubuntu Municipality

Ubuntu Local Municipality
(Registration number NC071)
Audited Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local municipality as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution (Act no. 105 of 1996)
Mayoral committee	
Mayor	CC Jantjies - Inaugurated on 1 November 2021
Speaker	GL Yekani (Speaker) - Inaugurated on 1 November 2021
Councillors	M Zeekoei (Chief Whip) - Inaugurated on 1 November 2021
	AJ Robertson (Ex Comm Member) - Inaugurated on 1 November 2021
	MN Baadjies (Ex Comm Member) - Inaugurated on 1 November 2021
	SW Kock - Inaugurated on 1 November 2021
	MA Maloi - Inaugurated on 1 November 2021
	WRH Olyn - Inaugurated on 1 November 2021
	A Verwey - Inaugurated on 1 November 2021
	JH Vorster - Inaugurated on 1 November 2021
	JJ Tolken - Inaugurated on 1 November 2021
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officers	Mrs LS Itumeleng (Appointed 1 May 2023)
Chief Finance Officer (CFO)	Vacant
Members of audit committee	J Snyders (Chairperson)
	A Shabalala
	F Lotz
	G Morolong
	Z Mtubu
Registered office	78 Church Street Victoria West 7070
Business address	78 Church Street Victoria West 7070
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Office of the State Attorney

General Information

Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003)
	Division of Revenue Act
	The Income Tax Act (Act no. 58 of 1962)
	The Value-added Tax Act (Act no. 89 of 1991)
	Municipal Structures Act (Act no. 117 of 1998)
	Municipal Systems Act (Act no. 32 of 2000)
	Municipal Planning and Performance Management Regulations
	Housing Act (Act no. 107 of 1997)
	Skills Development Levies Act (Act no. 9 of 1999)
	Employment Equity Act (Act no. 55 of 1998)
	Unemployment Insurance Act (Act no. 30 of 1966)
	Basic Conditions of Employment Act (Act no. 75 of 1997)
	Supply Chain Management Regulations Act, 2005
	Disaster Management Act of 2016
	Spatial Planning and Land Use Management Act (Act no. 16 of 2013)
	Property Rates Act 6 of 2004

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The reports and statements set out below comprise the audited annual financial statements presented to the provincial legislature:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

Accounting Officers' Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the municipality for continued funding of operations. The audited 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 accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual financial statements. The audited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The audited annual financial statements set out on pages 5 to 109, which have been prepared on the going concern basis, were approved by the accounting officers on 06 September 2024 and were signed on its behalf by:

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Accounting officer

Accounting Officers' Report

The accounting officers submit their 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 interests of the local community within the Ubuntu Municipal area and operates principally in South Africa.

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

Net surplus of the municipality was R 28 278 542 (2023: deficit R 2 363 892).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 521 564 777 and that the municipality's total assets exceed its liabilities by R 521 564 777.

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2024 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operations existing for the foreseeable furture.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 47

3. Subsequent events

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

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The audited annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mrs LS Itumeleng	South African	Appointed 1 May 2023

7. Auditors

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

Statement of Financial Position as at 30 June 2024

Figures in Rand	Notes	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	157 009	128 945
Other receivables from exchange transactions	4	685 920	661 191
Statutory receivables from non-exchange transactions	5	17 293 959	17 376 403
Receivable from exchange transactions	6	13 486 503	14 036 052
Receivables from non-exchange transactions	7	48 986	48 986
Cash and cash equivalents	8	13 377 451	17 976 502
		45 049 828	**50 228 079**
Non-Current Assets			
Investment property	9	68 169 777	67 574 524
Property, plant and equipment	10	552 191 106	542 195 655
Intangible assets	11	3 525	7 144
		620 364 408	**609 777 323**
Total Assets		**665 414 236**	**660 005 402**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	60 874 580	134 446 414
Consumer deposits	13	127 637	92 630
Employee benefit obligation	14	793 000	476 000
Unspent conditional grants and receipts	15	6 873 699	11 672 385
		68 668 916	**146 687 429**
Non-Current Liabilities			
Non-current payables from exchange transactions	16	55 339 602	-
Employee benefit obligation	14	4 219 000	5 091 000
Provisions	17	15 621 941	14 940 735
		75 180 543	**20 031 735**
Total Liabilities		**143 849 459**	**166 719 164**
Net Assets		**521 564 777**	**493 286 238**
Accumulated surplus		521 564 777	493 286 238
Total Net Assets		**521 564 777**	**493 286 238**

* See Note 50

Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	35 452 416	28 039 627
Rental of facilities and equipment	19	436 930	546 182
Interest received (trading)		6 964 355	14 395 968
Licences and permits		739 575	405 131
Other income	20	1 366 674	693 561
Interest received - investment	21	2 009 139	1 266 038
Total revenue from exchange transactions		**46 969 089**	**45 346 507**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	21 793 372	20 774 180
Interest received - property rates	23	2 653 519	6 899 954
Transfer revenue			
Government grants & subsidies	24	87 625 685	79 582 749
Public contributions and donations	25	5 656 180	4 259 619
Fines, penalties and forfeits	26	4 250	53 312
Debt relief	27	22 280 860	-
Total revenue from non-exchange transactions		**140 013 866**	**111 569 814**
Total revenue	28	**186 982 955**	**156 916 321**
Expenditure			
Employee related costs	29	(36 669 564)	(36 372 225)
Remuneration of councillors	30	(5 080 541)	(4 794 189)
Depreciation and amortisation	31	(16 810 998)	(15 642 904)
Finance costs	32	(10 568 301)	(6 876 692)
Debt impairment	33	(30 477 600)	(37 508 283)
Bulk purchases	34	(25 229 588)	(24 494 652)
General expenses	35	(31 720 872)	(31 510 462)
Total expenditure		**(156 557 464)**	**(157 199 407)**
Operating surplus (deficit)		**30 425 491**	**(283 086)**
Loss on disposal of assets and liabilities		(2 060 352)	(1 518 799)
Fair value adjustments		723 482	(173 670)
Actuarial gains/losses	14	924 938	218 268
Impairment loss	36	(1 735 017)	(606 605)
		(2 146 949)	**(2 080 806)**
Surplus (deficit) for the year		**28 278 542**	**(2 363 892)**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	493 535 943	493 535 943
Prior year adjustments		
Correction of errors 50	2 114 187	2 114 187
Balance at 01 July 2022 as restated*	**495 650 130**	**495 650 130**
Changes in net assets		
Deficit for the year*	(2 363 892)	(2 363 892)
Total changes	(2 363 892)	(2 363 892)
Restated* Balance at 01 July 2023	**493 286 235**	**493 286 235**
Changes in net assets		
Deficit for the year	28 278 542	28 278 542
Total changes	28 278 542	28 278 542
Balance at 30 June 2024	**521 564 777**	**521 564 777**

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		36 504 818	29 156 676
Grants		82 826 999	85 682 000
Interest income		5 080 084	1 221 203
		124 411 901	116 059 879
Payments			
Employee costs		(41 747 967)	(40 449 502)
Suppliers		(48 392 361)	(29 508 123)
Finance costs		(9 560 890)	(3 624 256)
		(99 701 218)	(73 581 881)
Net cash flows from operating activities	37	**24 710 683**	**42 477 998**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(29 309 734)	(30 812 250)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(4 599 051)**	**11 665 748**
Cash and cash equivalents at the beginning of the year		17 976 502	6 310 754
Cash and cash equivalents at the end of the year	8	**13 377 451**	**17 976 502**

The accounting policies on pages 15 to 46 and the notes on pages 47 to 109 form an integral part of the audited annual financial statements.

* See Note 50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	49 129 734	2 592 235	**51 721 969**	35 452 416	**(16 269 553)**	55, x1
Rendering of services	65 103	21 056	**86 159**	-	**(86 159)**	55, x2
Rental of facilities and equipment	961 250	8 153	**969 403**	436 930	**(532 473)**	55, x3
Interest received (trading)	9 860 848	(1 185 582)	**8 675 266**	6 964 355	**(1 710 911)**	55, x4
Agency services	575 000	267 551	**842 551**	-	**(842 551)**	55, x5
Licences and permits	460 000	-	**460 000**	739 575	**279 575**	55, x6
Other income	2 118 100	-	**2 118 100**	1 366 674	**(751 426)**	55, x7
Interest received - investment	425 000	1 117 823	**1 542 823**	2 009 139	**466 316**	55, x8
Total revenue from exchange transactions	**63 595 035**	**2 821 236**	**66 416 271**	**46 969 089**	**(19 447 182)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 259 255	848 059	**27 107 314**	21 793 372	**(5 313 942)**	55, x9
Interest received (trading)	-	-	**-**	2 653 519	**2 653 519**	55, x10
Transfer revenue						
Government grants & subsidies	90 392 000	(1 539 000)	**88 853 000**	87 625 685	**(1 227 315)**	55, x11
Public contributions and donations	-	-	**-**	5 656 180	**5 656 180**	55, x12
Fines, Penalties and Forfeits	19 470 392	-	**19 470 392**	4 250	**(19 466 142)**	55, x13
Debt relief	-	-	**-**	22 280 860	**22 280 860**	
Total revenue from non-exchange transactions	**136 121 647**	**(690 941)**	**135 430 706**	**140 013 866**	**4 583 160**	
Total revenue	**199 716 682**	**2 130 295**	**201 846 977**	**186 982 955**	**(14 864 022)**	
Expenditure						
Personnel	(48 725 571)	-	**(48 725 571)**	(36 669 564)	**12 056 007**	55, x14
Remuneration of councillors	(4 466 352)	-	**(4 466 352)**	(5 080 541)	**(614 189)**	55, x15
Depreciation and amortisation	(25 960 506)	-	**(25 960 506)**	(16 810 998)	**9 149 508**	55, x16
Impairment loss/ Reversal of impairments	-	-	**-**	(1 735 017)	**(1 735 017)**	55, x17
Finance costs	(610 720)	(4 841 464)	**(5 452 184)**	(10 568 301)	**(5 116 117)**	55, x18
Debt Impairment	-	-	**-**	(30 477 600)	**(30 477 600)**	55, x19
Bad debts written off	(20 000 000)	-	**(20 000 000)**	-	**20 000 000**	
Bulk purchases	(25 769 525)	4 100 000	**(21 669 525)**	(25 229 588)	**(3 560 063)**	55, x20
Contracted Services	(16 561 495)	(1 270 493)	**(17 831 988)**	-	**17 831 988**	55, x21
Sale of goods/Inventory	(3 654 000)	442 991	**(3 211 009)**	-	**3 211 009**	
General Expenses	(17 313 990)	(1 415 393)	**(18 729 383)**	(31 720 872)	**(12 991 489)**	55, x22
Total expenditure	**(163 062 159)**	**(2 984 359)**	**(166 046 518)**	**(158 292 481)**	**7 754 037**	
Operating surplus	**36 654 523**	**(854 064)**	**35 800 459**	**28 690 474**	**(7 109 985)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 060 352)	**(2 060 352)**	55, x23

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	-	-	**-**	723 482	**723 482**	55, x24
Actuarial gains/losses	-	-	**-**	924 938	**924 938**	55, x25
	-	**-**	**-**	**(411 932)**	**(411 932)**	
Surplus before taxation	**36 654 523**	**(854 064)**	**35 800 459**	**28 278 542**	**(7 521 917)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**36 654 523**	**(854 064)**	**35 800 459**	**28 278 542**	**(7 521 917)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	81 103	-	**81 103**	157 009	**75 906**	55, x26
Other receivables from exchange transactions	6 838 332	-	**6 838 332**	685 920	**(6 152 412)**	55, x27
Statutory receivables from non-exchange transactions	93 918	-	**93 918**	17 293 959	**17 200 041**	55, x28
Consumer debtors	47 810 094	-	**47 810 094**	13 486 503	**(34 323 591)**	55, x29
Receivables from non-exchange transactions	-	-	**-**	48 986	**48 986**	55, x30
Cash and cash equivalents	45 256 844	-	**45 256 844**	13 377 451	**(31 879 393)**	55, x31
	100 080 291	**-**	**100 080 291**	**45 049 828**	**(55 030 463)**	
Non-Current Assets						
Investment property	47 390 836	-	**47 390 836**	68 169 777	**20 778 941**	55, x32
Property, plant and equipment	570 184 243	(1 539 000)	**568 645 243**	552 191 106	**(16 454 137)**	55, x33
Intangible assets	53 118	-	**53 118**	3 525	**(49 593)**	55, x34
	617 628 197	**(1 539 000)**	**616 089 197**	**620 364 408**	**4 275 211**	
Total Assets	**717 708 488**	**(1 539 000)**	**716 169 488**	**665 414 236**	**(50 755 252)**	
Liabilities						
Current Liabilities						
Non-current payables from exchange transactions	230 860	-	**230 860**	-	**(230 860)**	55, x35
Payables from exchange transactions	81 366 816	-	**81 366 816**	60 874 576	**(20 492 240)**	55, x36
Consumer deposits	199 521	-	**199 521**	127 637	**(71 884)**	55, x37
Employee benefit obligation	433 000	-	**433 000**	793 000	**360 000**	55, x38
Unspent conditional grants and receipts	-	-	**-**	6 873 699	**6 873 699**	55, x39
Provisions	7 209 152	-	**7 209 152**	-	**(7 209 152)**	55, x40
	89 439 349	**-**	**89 439 349**	**68 668 912**	**(20 770 437)**	
Non-Current Liabilities						
Non-current payables from exchange transactions	106 565	-	**106 565**	55 339 602	**55 233 037**	55, x40
Employee benefit obligation	4 384 000	-	**4 384 000**	4 219 000	**(165 000)**	55, x41
Provisions	10 242 513	-	**10 242 513**	15 621 941	**5 379 428**	55, x42
	14 733 078	**-**	**14 733 078**	**75 180 543**	**60 447 465**	
Total Liabilities	**104 172 427**	**-**	**104 172 427**	**143 849 455**	**39 677 028**	
Net Assets	**613 536 061**	**(1 539 000)**	**611 997 061**	**521 564 781**	**(90 432 280)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	613 536 061	(1 539 000)	**611 997 061**	521 564 777	**(90 432 284)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	17 068 516	-	**17 068 516**	3 382 728	**(13 685 788)**	
Sale of goods and services	34 852 832	-	**34 852 832**	8 873 757	**(25 979 075)**	
Grants	125 851 000	(36 998 000)	**88 853 000**	85 682 000	**(3 171 000)**	
Interest income	408 000	1 134 823	**1 542 823**	22 557 329	**21 014 506**	
Other revenue	21 047 921	-	**21 047 921**	-	**(21 047 921)**	
	199 228 269	**(35 863 177)**	**163 365 092**	**120 495 814**	**(42 869 278)**	
Payments						
Suppliers and employees	(112 841 686)	-	**(112 841 686)**	(71 814 591)	**41 027 095**	
Finance costs	(610 720)	-	**(610 720)**	(4 643 352)	**(4 032 632)**	
	(113 452 406)	**-**	**(113 452 406)**	**(76 457 943)**	**36 994 463**	
Net cash flows from operating activities	**85 775 863**	**(35 863 177)**	**49 912 686**	**44 037 871**	**(5 874 815)**	
Cash flows from investing activities						
Capital assets	(35 459 000)	1 539 000	**(33 920 000)**	(30 960 861)	**2 959 139**	
Net increase/(decrease) in cash and cash equivalents	50 316 863	(34 324 177)	**15 992 686**	13 077 010	**(2 915 676)**	
Cash and cash equivalents at the beginning of the year	24 671 023	-	**24 671 023**	6 310 754	**(18 360 269)**	
Cash and cash equivalents at the end of the year	**74 987 886**	**(34 324 177)**	**40 663 709**	**19 387 764**	**(21 275 945)**	

Significant Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

These audited 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.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if necessary potential sources of replacement funding.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

The municipality strives toward ethical reporting thus transparent insights into the applied judgement and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic have been included in the accounting policies and/or notes to the financial statements.

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

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

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

Fair value estimation

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

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

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

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

Allowance for doubtful debts

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.5 Investment property

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

Property with a currently undetermined use is also classified as investment property.

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

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

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

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

Costs is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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.

Fair value

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

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

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

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

Significant Accounting Policies

1.5 Investment property (continued)

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others (other than Investment Property), 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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Depreciation and impairment:

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Community facilities	Straight line	5 - 100 years
Sport and recreation facilities	Straight line	5 - 100 years
Electricity Network	Straight line	10 - 60 years
Water supply network	Straight line	10 - 100 years
Roads and stormwater network	Straight line	5 - 100 years
Sanitation network	Straight line	5 - 100 years
Community facilities	Straight line	5 - 100 years
Housing	Straight line	7 - 100 years
Operational buildings	Straight line	5 - 100 years
Computer equipment	Straight line	5 years
Electrical equipment	Straight line	5 years
Furniture and fittings	Straight line	7 years
Leased assets - office equipment	Straight line	3 - 5 years
Mechanical equipment	Straight line	5 years
Office machines	Straight line	5 years
Vehicles	Straight line	6 - 10 years

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Derecognition:

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

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

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

1.7 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.

1.7 Intangible assets (continued)

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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
Servitudes	Straight line	Infinite
Computer software	Straight line	4 years

Derecognition:

Intangible assets are derecognised:
- 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 an intangible assets is included in surplus or deficit when the asset 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 uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

1.8 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

1.8 Financial instruments (continued)

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it 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 entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

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

Cash and cash equivalents

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

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

Recognition

The municipality recognises statutory receivables as follows:

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

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Significant Accounting Policies

1.9 Statutory receivables (continued)

Derecognition

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

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

1.10 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Significant Accounting Policies

1.10 Leases (continued)

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.

1.11 Inventories

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

1.13 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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.

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) 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.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

1.13 Employee benefits (continued)

The asset ceiling is 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 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.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) 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 (b) 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: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

1.13 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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:

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Distinction between defined contribution plans and defined benefit plans

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting fora multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Significant Accounting Policies

1.13 Employee benefits (continued)

Insured benefits

The entity may pay insurance premiums to fund a post-employment benefit plan. The entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation either to:

(a) pay the employee benefits directly when they fall due; or

(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods. If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts 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.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

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.

1.13 Employee benefits (continued)

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes 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, the entity attributes benefit on a straight-line basis from:

(a) 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

(b) 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 assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Significant Accounting Policies

1.13 Employee benefits (continued)

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Significant Accounting Policies

1.13 Employee benefits (continued)

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

Significant Accounting Policies

1.14 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.

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 a 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.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Management judgement is required when recognising and measuring contingent liabilities.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.6.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.15 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, when the following criteria are met and/or is applicable:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) to the extent that the amount has not been recorded elsewhere in the financial statements.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received.
- If recognition and disclosure is specifically required by the Standards of GRAP .

Capital commitments are disclosed in the notes to the annual financial statements exclusive of Value Added Tax.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Significant Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.17 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.

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

1.17 Revenue from non-exchange transactions (continued)

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.

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Significant Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.18 Investment income

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

1.19 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.

1.20 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

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

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

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. This consists currently mostly of interest and penalties on late payments made.

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

Significant Accounting Policies

1.23 Fruitless and wasteful expenditure (continued)

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

1.24 Irregular expenditure

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

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

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

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

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Segment information

A segment is an activity that generates economic benefits or service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity in assessing its performance and for which separate financial information is available. The objective of segment reporting is to provide information about the specific operational objectives and major activities of the municipality as well as the resources devoted to and costs of these objectives and activities.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Executive and Council, Office of the Municipal Manager, Financial Services Directorate, Corporate and Community Services and Infrastructure and Planning.

The factors used to identify reportable segments include the nature as well and the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. 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.

1.26 Segment information (continued)

Management considers the disclosure of the segmental information on non-current assets (property, plant and equipment, investment property and intangible assets), segmental current and non-current liabilities as well as segmental income and expenditure as the key information used by management to determine the allocation of resources to segments and also to evaluate segmental performance

The disclosure of information about these segments is also considered appropriate for external reporting purposes. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segmental information on property, plant and equipment, segmental current and non-current liabilities as well as segmental income and expenditure is set out in note 53. This information is based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

1.27 Conditional grants and receipts

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

1.28 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.29 Budget information

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

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

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

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

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

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

1.30 Related parties

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

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

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

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.

Significant Accounting Policies

1.30 Related parties (continued)

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 (2017:14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a bi-monthly basis.

1.33 Accumulated surplus

The municipality’s surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of the interpretation is for years beginning on or after 01 April 2023.

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

The adoption of this interpretation has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:
- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

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

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

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

2. New standards and interpretations (continued)

Key amendments to GRAP 25

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

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

The effective date of these revisions is 01 April 2023.

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

The adoption of this revisions has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

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

Background

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

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

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

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

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

The effective date of these revisions is 01 April 2023.

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

The adoption of this revisions has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

GRAP 2020: Improvements to the Standards of GRAP 2020

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

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

Amendments include,

GRAP 5 – Borrowing Costs

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

GRAP 13 – Leases

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

GRAP 16 – Investment Property

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

GRAP 17 – Property, Plant and Equipment

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

GRAP 20 – Related Party Disclosures

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

GRAP 24 – Presentation of Budget Information in Financial Statements

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

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

GRAP 37 – Joint Arrangements

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

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

The adoption of this improvements has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after 01 April 2023.

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

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

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

Notes structure

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

Disclosure of accounting policies

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

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

The effective date of this amendment is 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2023/2024 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the audited annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 2023 Improvements to the Standards of GRAP 2023

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

GRAP1 - Presentation of Financial Statements

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

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

General Improvements

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

- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

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

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

General Improvements

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

GRAP5 - Borrowing Costs

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

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

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

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

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

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

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

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

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

General Improvements

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

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

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP27 - Agriculture

General Improvements

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

GRAP31 - Intangible Assets

General Improvements

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

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

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

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

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

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

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

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

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

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

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

Guideline on The Application of Materiality to Financial Statements

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

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

General Improvements

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

Applicability of going concern in the public sector

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

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

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

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

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

Disclosure on going concern

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

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

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

The municipality expects to adopt the standard for the first time in the 2098/2099 audited annual financial statements.

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103 (as revised): Heritage Assets

Background

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

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

Key amendments to GRAP 103

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2023.

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

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

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

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

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

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

Issue

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

Consensus

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

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

The effective date of this interpretation is for years beginning on or after 01 April 2025.

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

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

3. Inventories

Water	157 009	128 945

Inventory pledged as security

No inventory was pledged as security for any financial liability at year-end.

4. Other receivables from exchange transactions

Prepayments	27 868	-
Medical aid contributions recoverable	54 442	61 191
Eskom connection deposit	603 610	600 000
	685 920	**661 191**

Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of other receivables from exchange transactions

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

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 685 920 (2023: R 661 191) were past due but not impaired.

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

3 months past due	685 920	661 191

5. Statutory receivables from non-exchange transactions

VAT receivable from non-exchange transactions	11 733 757	10 906 958
Property Rates	65 449 357	58 182 759
Total Statutory Receivables (before provision)	77 183 114	69 089 717
Less: Provision for Debt impairment	(59 889 155)	(51 713 314)
	17 293 959	**17 376 403**

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No89 of 1991)
Property Rates	- Municipal Properties Rates Act (No6 of 2004)

Statutory receivables are initially measured at transaction value, and subsequently at cost.

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

Figures in Rand	2024	2023

5. Statutory receivables from non-exchange transactions (continued)

Property rates: Ageing		
Current (0 - 30 days)	2 864 612	7 071 910
31 - 60 days	1 235 717	1 824 910
61 - 90 days	1 334 743	1 685 386
91 days +	60 014 284	47 600 552
Less: Debt Impairment	(59 889 157)	(51 713 314)
	5 560 199	**6 469 444**

Property rates by classification: consumers		
Current (0 - 30 days)	854 097	5 560 664
31 - 60 days	365 231	1 126 245
61 - 90 days	346 841	1 024 269
91 days +	21 935 275	36 052 561
Less: Debt Impairment	(22 819 108)	(38 911 699)
	682 336	**4 852 040**

Property rates by classification: Industrial / commercial		
Current (0 - 30 days)	1 610 333	227 933
31 - 60 days	676 354	63 646
61 - 90 days	718 377	57 320
91 days +	24 869 912	1 537 435
Less: Debt Impairment	(26 148 832)	(1 415 632)
	1 726 144	**470 702**

Property rates by classification: National and Provincial		
Current (0 - 30 days)	400 181	1 283 314
31 - 60 days	194 132	635 018
61 - 90 days	269 526	603 797
91 days +	13 209 097	10 010 557
Less: Impairment	(10 921 215)	(11 385 983)
	3 151 721	**1 146 703**

Total		
Current (0 - 30 days)	2 864 612	7 088 452
31 - 60 days	1 235 717	1 824 910
61 - 90 days	1 334 743	1 685 386
91 days +	60 014 284	47 600 594
Less: Debt Impairment	(59 889 156)	(51 713 314)
	5 560 200	**6 486 028**

Credit quality of statutory receivables from non-exchange transactions

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

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

5. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions past due but not impaired

All statutoruy receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

Statutory receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 5 560 201 (2023: R 6 469 445) were past due but not impaired.

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

	2024	2023
Property rates:	-	-
Property rates: Current (0 - 30 days)	840 182	3 324 321
Property rates: 31 - 60 days	235 294	361 813
Property rates: 61 - 90 days	269 149	240 510
Property rates: 91 days +	4 215 577	2 542 800

Statutory receivables from non-exchange transactions impaired

As of 30 June 2024, statutory receivables from non-exchange transactions of R 59 889 156 (2023: R 51 713 314) were impaired and provided for.

The ageing of these loans is as follows:

	2024	2023
Property rates:	-	-
Property rates: Current (0 - 30 days)	2 024 430	3 747 589
Property rates: 31 - 60 days	1 000 424	1 463 097
Property rates: 61 - 90 days	1 065 595	1 444 876
Property rates: 91 days +	55 798 707	45 057 752

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

	2024	2023
Opening balance	(51 713 314)	(34 305 322)
Contributions to debt impairment	(8 175 842)	(17 407 992)
	(59 889 156)	**(51 713 314)**

6. Receivable from exchange transactions

	2024	2023
Gross balances		
Electricity	16 775 398	15 957 310
Water	74 623 900	61 963 826
Sewerage	30 296 950	26 476 483
Refuse	34 020 361	29 842 949
Housing and other sundry	2 829 269	2 553 101
	158 545 878	**136 793 669**

	2024	2023
Less: Provision for debt impairment		
Electricity	(11 616 018)	(10 005 978)
Water	(69 398 019)	(56 736 526)
Sewerage	(28 838 165)	(25 140 425)
Refuse	(32 645 237)	(28 460 309)
Housing and other sundry	(2 561 936)	(2 414 379)
	(145 059 375)	**(122 757 617)**

Figures in Rand	2024	2023

6. Receivable from exchange transactions (continued)

Net balance

	2024	2023
Electricity	5 159 380	5 951 332
Water	5 225 881	5 227 300
Sewerage	1 458 785	1 336 058
Refuse	1 375 124	1 382 640
Housing and other sundry	267 333	138 722
	13 486 503	**14 036 052**

Electricity

	2024	2023
Current (0 -30 days)	2 324 579	2 786 519
31 - 60 days	628 231	304 281
61 - 90 days	374 001	269 383
91 days +	13 448 587	12 597 127
Less: Provison for debt impairment	(11 616 018)	(10 005 978)
	5 159 380	**5 951 332**

Water

	2024	2023
Current (0 -30 days)	4 674 127	10 128 880
31 - 60 days	1 296 529	1 118 975
61 - 90 days	1 158 770	1 080 790
91 days +	67 494 474	49 635 181
Less: Provision for debt impairment	(69 398 019)	(56 736 526)
	5 225 881	**5 227 300**

Sewerage

	2024	2023
Current (0 -30 days)	852 672	931 476
31 - 60 days	414 644	436 229
61 - 90 days	404 515	427 856
91 days +	28 625 119	24 680 922
Less: Provision for debt impairment	(28 838 165)	(25 140 425)
	1 458 785	**1 336 058**

Refuse

	2024	2023
Current (0 -30 days)	1 054 736	1 681 768
31 - 60 days	488 741	454 855
61 - 90 days	470 745	446 579
121 days +	32 006 139	27 259 747
Less: Provision for debt impairment	(32 645 237)	(28 460 309)
	1 375 124	**1 382 640**

Housing rental

	2024	2023
Current (0 -30 days)	164 934	153 105
31 - 60 days	52 683	72 998
61 - 90 days	52 567	81 645
91 days +	2 559 085	2 245 353
Less: Provision for debt impairment	(2 561 936)	(2 414 379)
	267 333	**138 722**

Figures in Rand	2024	2023

6. Receivable from exchange transactions (continued)

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	5 341 036	14 276 289
31 - 60 days	2 034 077	2 184 424
61 - 90 days	1 965 996	2 117 878
91 days +	128 478 234	108 680 906
	137 819 343	127 259 497
Less: Allowance for impairment	(134 504 605)	(118 641 978)
	3 314 738	**8 617 519**
Industrial/ commercial		
Current (0 -30 days)	1 935 481	713 757
31 - 60 days	573 830	94 972
61 - 90 days	284 738	79 043
91 days +	6 898 482	3 637 787
	9 692 531	4 525 559
Less: Allowance for impairment	(7 462 598)	(3 090 685)
	2 229 933	**1 434 874**
National and provincial government		
Current (0 -30 days)	1 794 531	691 701
31 - 60 days	272 920	107 942
61 - 90 days	209 864	109 332
91 days +	8 756 690	4 099 637
	11 034 005	5 008 612
Less: Allowance for impairment	(3 092 173)	(1 024 954)
	7 941 832	**3 983 658**
Total		
Current (0 -30 days)	9 071 048	15 681 748
31 - 60 days	2 880 827	2 387 338
61 - 90 days	2 460 597	2 306 253
91 days +	144 133 405	116 118 330
	158 545 877	136 493 669
Less: Allowance for impairment	(145 059 374)	(122 457 617)
	13 486 503	**14 036 052**
Less: Allowance for impairment		
Current (0 -30 days)	(4 881 817)	(10 215 640)
31 - 60 days	(2 399 229)	(2 115 330)
61 - 90 days	(2 191 478)	(2 075 888)
91 days +	(135 586 851)	(108 350 759)
	(145 059 375)	**(122 757 617)**
Reconciliation of provision for debt impairment		
Balance at beginning of the year	(122 757 617)	(102 657 326)
Contributions to debt impairment	(22 301 758)	(20 100 291)
	(145 059 375)	**(122 757 617)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

6. Receivable from exchange transactions (continued)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

All receivables from exchange transactions, excluding government and municipal debtors and debtors which are less than 3months past due are not considered to be impaired.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 13 486 503 (2023: R 14 036 052) were past due but not impaired.

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

Current (0 - 30 days)	4 189 232	5 466 108
31 - 60 days	481 598	272 008
61 - 90 days	269 120	230 365
91 days +	8 546 554	8 067 571

Receivables from exchange transactions impaired

As of 30 June 2024, receivables from exchange transactions of R 145 059 375 (2023: R 122 757 617) were impaired and provided for.

The ageing of these receivables is as follows:

Current (0 - 30 days)	4 881 817	10 215 640
31 - 60 days	2 399 229	2 115 330
61 - 90 days	2 191 478	2 075 888
91 days +	135 586 852	108 350 759

7. Receivables from non-exchange transactions

Deposits paid	48 986	48 986

Receivables from non-exchange transactions pledged as security.

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 795	85 082
Bank balances	1 274 598	1 299 502
Short-term deposits	12 095 058	16 591 918
	13 377 451	**17 976 502**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

8. Cash and cash equivalents (continued)

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

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

Credit rating		
F3	13 347 820	17 274 607
F1+	21 836	616 813
	13 369 656	**17 891 420**

Cash and cash equivalents pledged as collateral

There were no cash and cash equivalents pledged as security.

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 - Current account (Acc no: 54062338032)	1 252 762	682 689	484 037	1 252 762	682 689	484 037
Standard Bank - Current account (Acc no: 187389179)	24 065	616 514	245 627	24 065	616 514	245 627
Standard Bank - Current account (Acc no: 083192662)	(2 229)	299	20 777	(2 229)	299	20 777
First National Bank - Money market (MSIG)(Acc no: 62089843744)	2 285 372	235 793	52 127	2 285 372	235 793	52 127
First National Bank - Call account (Acc no: 62247301708)	118	3 208	5 129	118	3 208	5 129
First National Bank - Call account (Acc no: 62046110920)	802 049	907 358	623 349	802 049	907 358	623 349
First National Bank - Call account (MIG) (Acc no: 62824012489)	615	1 000	5 446	615	1 000	5 446
First National Bank - Call account (Acc no: 62050017021)	558 449	820 027	199 450	558 449	820 027	199 450
First National Bank - Fixed deposit account (Acc no: 71267618613)	179 162	165 597	154 467	179 162	165 597	154 467
First National Bank - Call account (MIG) (Acc no: 62209229831)	20 925	3 229 228	8 446	20 925	3 229 228	8 446
First National Bank - Call account (Acc no: 62242043892)	2 484 791	3 547 740	290 460	2 484 791	3 547 740	290 460
First National Bank - Call account (Acc no: 62086477760)	1 744 918	5 008 825	2 398 443	1 744 918	5 008 825	2 398 443
First National Bank - Call account (WSIG) (Acc no: 62735797667)	16 226	795 115	9 936	16 226	795 115	9 936
First National Bank - Call account (Acc no: 62735798988)	3 600 390	1 867 508	1 809 598	3 600 390	1 867 508	1 809 598
First National Bank - Call account (Acc no: 62735796924)	402 041	10 519	1 494	402 041	10 519	1 494
Total	**13 369 654**	**17 891 420**	**6 308 786**	**13 369 654**	**17 891 420**	**6 308 786**

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	68 169 777	-	68 169 777	67 574 524	-	67 574 524

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	67 574 524	(128 229)	723 482	68 169 777

Reconciliation of investment property - 2023

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	67 825 541	(77 347)	(173 670)	67 574 524

Pledged as security

There are no investment properties pledged as security for any financial liability at year-end.

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.

9. Investment property (continued)

Details of valuation

Property valuations were performed by an independent valuer, Mr Z Van Der Merwe (registered with the South African Council of Property Valuers as a Professional Valuer, with registration number 4973/1), and representing Infratect (Pty) Ltd. Infratec (Pty) Ltd is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation is based on a unit rate which has been determined from the trends in the general market growth rate as indicated by the FNB housing price index for June 2024. This rate base rate has been adjusted with various factors such as property use, comparability of sales and market activity to determine a fair value under current market conditions at 30 June 2024. The fair value adjustments rate applied was **0.50%** in 2024 and -0.45% in 2023.

Deemed cost

Deemed cost was determined using fair value.

Notes to the Audited Annual Financial Statements

Figures in Rand

10. 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	113 933 998	(77 348)	113 856 650	113 933 998	(77 348)	113 856 650
Buildings	54 427 802	(47 297 300)	7 130 502	54 476 468	(46 998 079)	7 478 389
Infrastructure	857 363 177	(445 451 115)	411 912 062	831 612 956	(432 886 688)	398 726 268
Community	121 460 626	(107 670 697)	13 789 929	122 930 660	(107 135 121)	15 795 539
Other property, plant and equipment	14 776 406	(9 329 850)	5 446 556	14 313 056	(8 068 578)	6 244 478
Lease assets	1 293 524	(1 238 117)	55 407	1 293 524	(1 199 193)	94 331
Total	**1 163 255 533**	**(611 064 427)**	**552 191 106**	**1 138 560 662**	**(596 365 007)**	**542 195 655**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	113 856 650	-	-	-	-	-	113 856 650
Buildings	7 478 389	204 189	(9 927)	-	(467 515)	(74 634)	7 130 502
Infrastructure	398 726 268	30 322 722	(1 882 726)	(526 622)	(13 726 555)	(1 001 025)	411 912 062
Community	15 795 539	-	(37 831)	-	(1 340 036)	(627 743)	13 789 929
Other property, plant and equipment	6 244 478	469 679	(255)	-	(1 235 732)	(31 614)	5 446 556
Lease assets	94 331	-	-	-	(38 924)	-	55 407
	542 195 655	**30 996 590**	**(1 930 739)**	**(526 622)**	**(16 808 762)**	**(1 735 016)**	**552 191 106**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	113 856 650	-	-	77 348	-	-	(77 348)	-	113 856 650
Buildings	8 015 327	-	(14 365)	-	-	(502 437)	(20 136)	-	7 478 389
Infrastructure	380 402 187	27 759 544	(1 436 786)	-	5 021 100	(12 678 739)	(352 852)	11 814	398 726 268
Community	17 508 610	-	(60 365)	-	-	(1 521 196)	(156 270)	24 760	15 795 539
Other property, plant and equipment	4 209 452	2 953 956	(48 041)	-	-	(878 100)	-	7 210	6 244 477
Lease assets	153 639	-	-	-	-	(59 308)	-	-	94 331
	524 145 865	**30 713 500**	**(1 559 557)**	**77 348**	**5 021 100**	**(15 639 780)**	**(606 606)**	**43 784**	**542 195 654**

Pledged as security

There are no items of property, plant and equipment is pledged as secuirty for any financial liability at year-end.

Assets subject to finance lease (Net carrying amount)

Office equipment	55 407	94 331

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Other property, plant and equipment	293	248

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2024	2023
Goutrou electrification:	20 767 517	20 767 517
The project has stalled as there is no budget allocation for this project in the period under review.		
VW - Upgrading of groundwater supply:	-	5 001 869
The project has stalled due to budget constraints for this project in the period under review.		
MIG1495: Victoria West, Upgrading of existing water infrastructure - Donated project:	7 319 665	7 319 665
The project has stalled as there is no budget allocation for this project in the period under review		
	28 087 182	**33 089 051**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	66 080 699	-	66 080 699
Additions/capital expenditure	24 501 541	5 732 189	30 233 730
Transferred to completed items	(41 483 815)	-	(41 483 815)
	49 098 425	**5 732 189**	**54 830 614**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	38 502 034	38 502 034
Additions/capital expenditure	27 578 665	27 578 665
	66 080 699	**66 080 699**

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	2024	2023
Office equipment	253 777	42 566
Motor vehicles	356 617	223 054
Infrastructure	3 537 149	5 673 445
	4 147 543	**5 939 065**

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licenses	49 367	(45 842)	3 525	37 282	(30 138)	7 144

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software and licenses	7 144	(1 383)	(2 236)	3 525

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Computer software and licenses	13 294	(3 025)	(3 125)	7 144

Pledged as security

There are no intangible assets pledged as security for any financial liability at year-end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

12. Payables from exchange transactions

Trade payables	14 204 260	114 271 340
Payments received in advanced	5 091 261	5 372 225
Direct deposits not receipted	8 759 481	7 204 235
Accrued leave pay	3 361 444	3 718 958
Accrued bonus	1 095 845	1 017 869
Payroll creditors	41 808	130 070
Deferred revenue	108 893	115 728
Retension creditor	3 961 990	2 275 132
Department of Transport	340 857	340 857
Current portion transferred from non-current payables from exchange transactions	23 908 741	-
	60 874 580	**134 446 414**

13. Consumer deposits

Electricity	34 649	23 322
Water	73 986	53 762
Housing rental	19 002	15 546
	127 637	**92 630**

14. Employee benefit obligations

Defined benefit plan

Post employment medical benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 587 000)	(3 451 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 425 000)	(2 116 000)
	(5 012 000)	**(5 567 000)**
Non-current liabilities	(4 219 000)	(5 091 000)
Current liabilities	(793 000)	(476 000)
	(5 012 000)	**(5 567 000)**

Benefits

Post-retirement medical aid benefit
Long service awards

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(3 451 000)	(3 324 000)
Interest cost	(363 000)	(332 000)
Expenditure for the year	386 023	334 422
Actuarial Gain	840 977	(129 422)
Total post retirement benefit - 30 June	(2 587 000)	(3 451 000)
Less: Transfer to current portion	292 000	359 000
	(2 295 000)	**(3 092 000)**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Continuation members (e.g. retirees, widows, orphans)	5	6

The liability in respect of past service has been estimated to be as follows:

Liability		
Continuation members (e.g. retirees, widows, orphans)	(2 587 000)	(3 451 000)

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

- LA Health
- Keyhealth
- Bonitas

Key actuarial assumptions used:

Assumptions		
Discount rate	10.83%	11.08%
Health Care Cost Inflation Rate	6.48%	6.97%
Net Effective Discount Rate	4.09%	3.84%

Discount Rate:
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term 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 terms 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 10.83% (2023: 11.08%) per annum has been used. The corresponding index-linked yield at this term is 5.10% (2023: 4.84%). These rates do not reflect any adjustments for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market closed on 28 June 2024.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability which in turn depends on the yields).

Health Care Cost Inflation Rate:
This assumption is required to reflect estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical cost (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

14. Employee benefit obligations (continued)

A health care cost inflation rate of 6.48%% (2023: 6.97%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 4.98% (2023: 5.47%). A larger differential would be unsustainable,eventually forcing members to less expensive options. This implies a net discount rate of 4.09% (2023: 3.84%) which derives from ((1+10.83%-0.50%)/(1+5.10%))-1 (2023: ((1+11.08%-0.50%)/(1+4.84%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2025.

Post-Employment Mortality:
PA(90) utlimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e 1.99% is derived from [1 - (1 - 1%)^2], and so on.

Family Profile:
It has been assumed that female spouses will be five years younger than their male counterparts. Actual medical aid dependants were used and the potential for remarriage was ignored.

Impact of COVID-19:
It is difficult to estimate what impact the pandemic is likely to have on the Municipality`s liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (And where) a treatment or vaccine will become available. Medical scheme contributions are also likely to increase by more than expected.

Sensitivity Analysis on the Accrued Liability:

Assumption	% Change	Change	Change in interest cost
Central assumptions	-		2 587 000
Health care inflation	7%	+1%	2 778 000
Health care inflation	-7%	-1%	2 417 000
Discount rate	-6%	+1%	2 425 000
Discount rate	7%	-1%	2 771 000
Post-employment mortality	-4%	+1yr	2 485 000
Post-employment mortality	4%	-1yr	2 691 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2024:

Assumption	%Change	Change	Change in Interest Cost
Central assumptions	-		363 000
Health care inflation	8%	+1%	392 000
Health care inflation	-7%	-1%	337 000
Discount rate	1%	+1%	368 000
Discount rate	-2%	-1%	356 000
Post employment mortality	-4%	+1yr	348 000
Post employment mortality	4%	-1yr	378 000
	-		

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2024:

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

Long service award

Long service award		
Balance 1 July	(2 116 000)	(2 117 000)
Contribution for the year	(217 000)	(209 000)
Interest cost	(233 000)	(220 000)
Expenditure for the year	57 039	82 311
Actuarial gain / (loss)	83 961	347 689
Subtotal	(2 425 000)	(2 116 000)
Less: Transfer to current portion	501 000	117 000
Balance 30 June	**(1 924 000)**	**(1 999 000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible		
As at year end, the following number of employees were eligible for long service bonuses	129	131

Key actuarial assumptions used:

Discount rate	10.97%	11.32%
General earnings inflation rate (long-term)	6.14%	6.57%
Net discount rate	4.45%	4.45%
Average retirement age	62	62

GRAP 25 stipulates that the choice of this rate should be derived from goverment bond yields consistent with the estimated term of the employee benefit 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 10.97% (2023: 11.32%) per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 5.08% (2023: 4.97%). These rates do not reflect any adjustment for taxation, and were deducted from the interest rate data obtained from the JSE after the market closed on 28 June 2024.

Earnings Inflation Rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in the LSA are based on an employee`s earnings at the date of the award:

General Earnings Inflation
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.14% (2023: 5.57%) was obtained from the differential between market yields on index-linked bonds 5.08% (2023: 4.97%)) consistent with the estimated terms of the liabilities and those of nominal bonds 10.97% (2023: 11.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases 0.50%
(2023: 0.05%). Therefore, expected inflation is determined as ((1+10.97%-0.50%)/(1+5.08%))-1
(2023: ((1+11.32%-0.50%)/(1+4.97%))-1).

Thus a general earnings inflation rate of 6.14% (2023: 6.57%) per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.55% (2023: 4.45%).

14. Employee benefit obligations (continued)

It has been assumed that the next general earnings increase will take place on 1 July 2025.

Promotional Earnings Scale
The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.14% (2023: 6.57%) per annum for all employees.

Average Retirement Age
The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality
SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service
If an employee leaves, the employer`s liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Assumption	% Change	Change	Liability
Valuation assumptions	-		2 425 000
General earnings inflation rate	5%	+1%	2 555 000
General earnings inflation rate	-5%	-1%	2 306 000
Discount rate	-5%	+1%	2 301 000
Discount rate	6%	-1%	2 562 000
Average retirement age	5%	+2yrs	2 555 000
Average retirement age	-12%	-2yrs	2 144 000
Withdrawal rate	-18%	x2	1 988 000
Withdrawal rate	12%	x0,5	2 715 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2024

Assumption	% Change	Change	Current service cost	Interest cost	Total
	-		217 000	233 000	450 000
General earnings inflation rate	7%	+1%	233 000	247 000	480 000
General earnings inflation rate	-6%	-1%	204 000	220 000	424 000
Discount rate	-1%	+1%	205 000	239 000	444 000
Discount rate	2%	-1%	231 000	226 000	457 000
Average retirement age	6%	+2yrs	230 000	246 000	476 000
Average retirement age	-11%	-2yrs	197 000	205 000	402 000
Withdrawal rates	-22%	x2	164 000	185 000	349 000
Withdrawal rates	16%	x0,5	255 000	265 000	520 000

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Coperative Governance, Human Settlement and Tradional Affairs Incentive Grant	460 835	460 835
Energy Efficiency and Demand-Side Management Grant	732	732
Intergrated National Electrification Programme Grant	1	5 026 228
Local Government Financial Management Grant	1	-
Municipal Infrastructure Grant	2 429 427	2 429 428
Project - 36 erfs loxton Grant	305 093	305 093
Project Cemetry Grant	88 739	88 739
Project EIA Solid waste Victor West Grant	99 012	99 012
Project Housing Grant	115 555	115 555
Project River Richmond Grant	1 827	1 827
Transformation and Development of Library Grant	3 189 692	3 133 733
Water Services Infrastructure Grant - WSIG	171 582	-
Unspent grants 21	11 203	11 203
	6 873 699	**11 672 385**

Movement during the year

Balance at the beginning of the year	11 672 384	5 573 133
Additions during the year	87 853 228	86 225 000
Income recognition during the year	(87 625 685)	(79 582 748)
Transferred to Equitable share withheld	(5 026 228)	(543 000)
	6 873 699	**11 672 385**

See Appendix "F" for a reconciliation of grants from other spheres of government. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants and received to the extent of the revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See note 24 for reconciliation of grants from National/Provincial Government.

16. Non-current payables from exchange transactions

Municipal Debt Relief from Eskom	79 248 343	-
Less: transferred to current payables from exchange transactions	(23 908 741)	-
	55 339 602	**-**

Ubuntu Local Muicipaliaty was approved for debt relief during the 2023/2024 financial year. The outstanding debt will be subject to write off over 3 years.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions / (Reversed) during the year	Change in discount factor	Total
Environmental rehabilitation	14 940 735	(526 621)	1 207 827	15 621 941

Reconciliation of provisions - 2023

	Opening Balance	Additions / (Reversed) during the year	Change in discount factor	Total
Environmental rehabilitation	8 773 681	5 021 100	1 145 954	14 940 735

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Increase in the inflation rate 5.1% in 2024 and 5.4% in 2023.

		2024 Cost of rehabilitation	2023 Cost of rehabilitation
Loxton	Estimated decommission date - 2030	47 044 082	44 884 809
Victoria West	Estimated decommission date - 2024	34 090 019	33 553 113
Richmond	Estimated decommission date - 2025	32 466 255	33 743 553

Area of landfill site consumed:		
Loxton	63%	60%
Victoria West	98%	86%
Richmond	85%	79%

Discount Rate applied: 10.30% in 2024 and (10.32% in 2023).

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

18. Service charges

	2024	2023
Sale of electricity	18 555 960	14 659 049
Sale of water	12 924 477	14 229 557
Sewerage and sanitation charges	5 948 290	5 632 480
Refuse removal	6 605 392	6 243 556
Less: Departmental charges	(4 659 280)	(6 637 694)
Less: Indigents subsidies	(3 922 423)	(6 087 321)
	35 452 416	**28 039 627**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

19. Rental of facilities and equipment

Premises		
Premises	416 620	522 297
Venue hire	5 082	4 053
Other	15 228	19 832
	436 930	**546 182**

20. Other revenue

Other income	1 366 674	693 561

21. Investment revenue

Interest revenue		
Bank	2 009 139	1 266 038

22. Property rates

Rates received

Residential	4 442 719	5 644 594
Commercial	6 576 300	6 522 134
State	9 014 890	7 383 550
Small holdings and farms	1 920 245	1 846 736
Less: income forgone	(160 782)	(622 834)
	21 793 372	**20 774 180**

Valuations

Residential	324 411 000	324 411 000
Commercial	136 476 000	136 476 000
State	82 992 000	82 992 000
Municipal	60 939 000	60 939 000
Farms	4 249 171 000	4 249 093 000
Public service infrastructure	9 729 000	9 729 000
Public benefit organisations	17 191 000	17 191 000
	4 880 909 000	**4 880 831 000**

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

A general rate per valuation category as specified in the annual municipal published tarrif list is applied to property valuations to determine assessment rates. Rebates on the rateable value of R 15 000 (2023: R 15 000) are granted to residential and state property owners.

Rates are levied on an annual basis. Interest at 7% per annum (2023: 18%), is levied on rates outstanding two months after due date.

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

23. Interest, dividends and Rent on Land

Interest - Receivables	2 653 519	6 899 954

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants & subsidies

Operating grants		
Equitable share	49 595 228	46 240 000
Local Government Financial Management Grant	2 899 999	2 900 000
Transformation and Development of Library Grant	1 404 041	697 300
Expanded Public Works Programme Integrated Grant	978 000	950 000
	54 877 268	**50 787 300**
Capital grants		
Municipal Infrastructure Grant	21 470 000	13 322 409
Intergrated National Electrification Program Grant	2 999 999	1 973 772
Water System Infrastructure Grant	8 278 418	9 000 000
Energy Efficiency and Demand-Side Management Grant	-	4 499 268
	32 748 417	**28 795 449**
	87 625 685	**79 582 749**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	38 030 457	33 342 749
Unconditional grants received	49 595 228	46 240 000
	87 625 685	**79 582 749**

Equitable share

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

The allocated Equitable share for the year was R 49 595 228 (2023: R 46 240 000).

Balance unspent at beginning of year	-	-
Current-year receipts	44 569 000	45 697 000
Conditions met - transferred to revenue	(49 595 228)	(46 240 000)
Surrendered	5 026 228	543 000
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 429 428	539 315
Current-year receipts	21 470 000	15 735 000
Conditions met - transferred to revenue	(21 470 000)	(13 322 409)
Transferred to Equitable share withheld	-	(522 478)
	2 429 428	**2 429 428**

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

24. Government grants & subsidies (continued)

Transformation and Development of Library Grant

	2024	2023
Balance unspent at beginning of year	3 133 733	2 431 033
Current-year receipts	1 460 000	1 400 000
Conditions met - transferred to revenue	(1 404 041)	(697 300)
	3 189 692	**3 133 733**

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

Project - 36 erfs loxton Grant

	2024	2023
Balance unspent at beginning of year	305 093	305 093

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

Disaster Management Grant

	2024	2023
Current-year receipts	-	66 000
Conditions met - transferred to revenue	-	(66 000)
	-	**-**

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

Expanded Public Works Programme Integrated Grant

	2024	2023
Current-year receipts	978 000	950 000
Conditions met - transferred to revenue	(978 000)	(950 000)
	-	**-**

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

Integrated National Electrification Programme Grant

	2024	2023
Balance unspent at beginning of year	5 026 228	1 520 522
Current-year receipts	3 000 000	5 500 000
Conditions met - transferred to revenue	(2 999 999)	(1 973 772)
Surrendered	(5 026 228)	(20 522)
	1	**5 026 228**

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

Project Cemetry Grant

	2024	2023
Balance unspent at beginning of year	88 739	88 739

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

Department of Coperative Governance, Human Settlement and Tradional Affairs Incentive Grant

	2024	2023
Balance unspent at beginning of year	460 835	460 835

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

Figures in Rand	2024	2023

24. Government grants & subsidies (continued)

Local Government Financial Management Grant

Current-year receipts	2 900 000	2 900 000
Conditions met - transferred to revenue	(2 899 999)	(2 900 000)
	1	**-**

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

Project Housing Grant

Balance unspent at beginning of year	115 555	115 555

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

Project EIA Solid waste Victor West Grant

Balance unspent at beginning of year	99 012	99 012

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

Project River Richmond Grant

Balance unspent at beginning of year	1 827	1 827

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

Water Service Infrastructure Grant

Current-year receipts	8 450 000	9 000 000
Conditions met - transferred to revenue	(8 278 418)	(9 000 000)
	171 582	**-**

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

Road Paving Grant

Balance unspent at beginning of year	11 203	11 203

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

Energy Efficiency and Demand-Side Management Grant

Balance unspent at beginning of year	732	-
Current-year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(4 499 268)
	732	**732**

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

Provide explanations of conditions still to be met and other relevant information.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

25. Public contributions and donations

Grants in aid - Northern Cape Provincial Treasury	5 656 180	4 259 619

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

26. Fines, Penalties and Forfeits

Speed fines	3 650	15 600
Provincial traffic fines	-	37 334
Library fines	600	378
	4 250	**53 312**

27. Debt relief

Eskom	22 280 860	-

28. Revenue

Service charges	35 452 416	28 039 627
Rental of facilities and equipment	436 930	546 182
Interest received (trading)	6 964 355	14 395 968
Licences and permits	739 575	405 131
Sundry income	1 366 674	693 561
Interest received - investment	2 009 139	1 266 038
Property rates	21 793 372	20 774 180
Interest, Dividends and Rent on Land	2 653 519	6 899 954
Government grants & subsidies	87 625 685	79 582 749
Public contributions and donations	5 656 180	4 259 619
Fines, Penalties and Forfeits	4 250	53 312
	164 702 095	**156 916 321**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	35 452 416	28 039 627
Rental of facilities and equipment	436 930	546 182
Interest received (trading)	6 964 355	14 395 968
Licences and permits	739 575	405 131
Other income	1 366 674	693 561
Interest received - investment	2 009 139	1 266 038
	46 969 089	**45 346 507**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 793 372	20 774 180
Interest, Dividends and Rent on Land	2 653 519	6 899 954
Transfer revenue		
Government grants & subsidies	87 625 685	79 582 749
Public contributions and donations	5 656 180	4 259 619
Fines, Penalties and Forfeits	4 250	53 312
	117 733 006	**111 569 814**

Figures in Rand	2024	2023

29. Employee related costs

Basic	27 388 814	26 891 142
Medical aid - company contributions	530 316	463 815
UIF	248 975	241 092
SDL	288 871	275 838
Other payroll levies	18 845	17 615
Leave pay provision charge	(249 250)	397 042
Pension fund contributions	4 531 731	4 256 373
Overtime payments	945 372	957 533
Long-service awards	217 000	209 000
13th Cheques	2 066 421	1 948 477
Car allowance	432 000	229 500
Housing benefits and allowances	51 584	245 798
Telephone allowance	3 600	3 600
Standby allowance	195 285	235 400
	36 669 564	**36 372 225**

Remuneration of the Acting Municipal Manager - Me. NM Mkontwana (1 March 2022 - 30 June 2022):

Annual Remuneration	-	16 769

Remuneration of the Acting Municipal Manager - Mr D Molaole (1 September 2022 - 30 April 2023):

Annual Remuneration	-	843 648
Remote allowance	-	84 471
Contributions to UIF, Medical and Pension Funds	-	1 240
Leave days due	-	38 580
Other	-	9 667
	-	**977 606**

Remuneration of the Municipal Manager - Me. LS Itumeleng (Appointed from 01 May 2023):

Annual Remuneration	938 539	74 508
Car Allowance	150 000	12 500
Remote Allowances	-	8 719
Contributions to UIF, Medical and Pension Funds	63 429	177
Other	107 238	932
	1 259 206	**96 836**

Remuneration of the Senior Manager Corporate Services - Me. NM Mkontwana:

Annual Remuneration	750 871	709 404
Car Allowance	60 000	60 000
Remote Allowances	-	85 268
Contributions to UIF, Medical and Pension Funds	145 045	132 156
Other	88 048	8 056
	1 043 964	**994 884**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs (continued)

Remuneration of the Operations and Maintenance Manager - Mr. TH Zingange:

Annual Remuneration	747 335	561 532
Car Allowance	60 000	40 000
Contributions to UIF, Medical and Pension Funds	10 217	1 691
Other	-	5 936
	817 552	**609 159**

30. Remuneration of councillors

Councillors	5 080 541	4 794 189

Councillors' remuneration consist of the following:

Remuneration of the Mayor - CC Jantjies (Appointed November 2021)		
Mayoral allowance	705 035	650 676
Transport allowance	192 000	192 000
Telephone allowance	45 919	44 400
Contributions to pension, medical and SDL	7 273	6 769
	950 227	**893 845**

Remuneration of other councillors		
Councillor allowance	3 223 300	3 010 778
Transport allowance	408 384	408 384
Telephone allowance	459 190	444 000
Contributions to pension, medical and SDL	39 440	37 182
	4 130 314	**3 900 344**

31. Depreciation and amortisation

Property, plant and equipment	16 808 762	15 639 780
Intangible assets	2 236	3 124
	16 810 998	**15 642 904**

32. Finance costs

Trade and other payables	8 764 474	5 178 738
Employee benefit obligation	596 000	552 000
Landfill sites	1 207 827	1 145 954
	10 568 301	**6 876 692**

33. Debt impairment

Debt impairment	30 477 600	37 508 283

34. Bulk purchases

Electricity - Eskom	25 229 588	24 494 652

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

35. General expenses

Advertising	45 152	53 408
Auditors remuneration	4 379 084	3 974 723
Bank charges	193 090	269 059
Commission traffic fine enforcement collections	517 478	123 731
Consulting and professional fees	8 266 210	8 422 134
Credit control	-	6 320
Entertainment	1 316	64 638
Fleet	13 440	1 146 600
Fuel and oil	1 870 783	1 917 957
Insurance	607 610	771 789
Inventory, spares and materials consumed	6 075 549	7 750 919
Learnerships and internships	995 319	854 145
Motor vehicle expenses	132 825	13 653
Printing and stationery	197 642	382 403
Protective clothing	182 524	28 000
Rental paid	1 122 710	860 188
Research and development costs	381 967	131 569
Subscriptions and membership fees	607 705	555 117
Security (Guarding of municipal property)	3 601 019	1 650 000
Telephone and fax	433 498	575 219
Training	6 868	49 522
Travel - local	2 089 083	1 909 368
	31 720 872	**31 510 462**

36. Impairment loss

Impairments		
Property, plant and equipment	1 735 017	606 605

37. Cash generated from operations

Surplus (deficit)	28 278 542	(2 363 892)
Adjustments for:		
Depreciation and amortisation	16 810 998	15 642 904
Gain on sale of assets and liabilities	2 060 352	1 518 799
Fair value adjustments	(723 482)	173 670
Movements in retirement benefit assets and liabilities	(555 000)	126 000
Movements in provisions	1 207 828	1 145 954
Impairment deficit	1 735 017	606 605
Changes in working capital:		
Inventories	(28 064)	(47 021)
Other receivables from exchange transactions	(24 729)	55 933
Receivables from exchange transactions	549 549	(7 200 570)
Statutory receivables from non-exchange transactions	82 444	1 955 554
Payables from exchange transactions	(19 919 093)	24 763 521
Unspent conditional grants and receipts	(4 798 686)	6 099 251
Consumer deposits	35 007	1 290
	24 710 683	**42 477 998**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	13 681 731	5 156 247
Total capital commitments		
Already contracted for but not provided for	13 681 731	5 156 247

Total commitments

Total commitments		
Authorised capital expenditure	13 681 731	5 156 247

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

Notes to the Audited Annual Financial Statements

39. Contingencies

2024 Matters

Matter name	Description	Status	Amount
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The state attorney raised an exception to the particulars of claim in this matter as the particulars of claim were vague. The plaintiff ammended his particulars of the claim. We have filed a plea on behalf of the municipality. The plaintiff did not file his reply and pleadings are now considered closed. We are awaiting on the plaintiff to take a further step in this matter.	The amount claimed by the applicant amounts to R229 332 inclusive of cost plus interest.
Sedza Mushumo Building and Project (Pty) Ltd/ Ubuntu Local Municipality	This is a claim against the Municipality for service rendered and is alleged that the Municipality failed to pay for services rendered.	The municipality has good prospects of success and no summons has been issued and the claim might have prescribed.	The amount claimed by the applicant amounts to R2 288 970

2023 Matters

Matter name	Description	Status	Amount
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The Municipality is currently disputing the claim of the services provider with the assistance of the Ofice of the State Attorney.	The amount claimed by the applicant amounts to R229 332 inclusive of cost plus interest.
Imatu obo G Jacobs and 6 other / Ubuntu Local Municipaliy	This is a Labour Court review matter brought by the Municipality to review the arbitration award of the Commissioner in declaring the library personnel as permanent employees.	The condonation application must be argued before the Court.	The financial impact of the claim is currently estimated at R20 000.
Ubuntu Local Municipality / Martin Antonie	The Municipality brought an application to have Mr. Antonie evicted from Municipal property. Mr. Antonie counter sued for damages.	The eviction order was granted. Await feedback from the Sheriff on the execution of the eviction order.	The financial impact of the claim is currently estimated at R10 000.
XR Jolla / Absolom and Ubuntu Local Municipality	The Municiplaity is the second respondent in this matter. Mr. Absolom is occupying a house that was awarded to Ms. Jolla illegally and refuses to vacate.	There is a reasonable prospect that the joiner application will be successfully. Mr Absolom paased away and the application became mute.	The financial impact of the claim is currently estimated at R10 000.
Ubuntu Local Municipality / Angelina Tebele	The Municipality has issued instructions to evict Ms Tebele from the property previously occupied by Mr. Absolom.	The eviction application has been drafted, further instruction to be issued to the Attorney.	The financial impact of the claim is currently estimated at R12 000.

Notes to the Audited Annual Financial Statements

40. Related parties

Relationships	
Interest in related parties	Any enitity in which a Councillor and / or management of the municipality have the ability to control and / or excercise significant influence over.
Services rendered to related parties	The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. Refer to note 45 where we have disclosed this information under the heading Councillors arrear consumer accounts.
Compensation of related parties	Compensation of Councillors is set out in note 30
Compensation of related parties	Compensation of key management personnel is set out in note 29
Loans granted to Related Parties	In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.
Related party relationships	The municipalities key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.
CC Jantjies	No business interest, shares and / or directorships held.
GL Yekani	Buyambo Group(Directorship and partnership)
M Zeekoei	No business interest, shares and / or directorships held.
AJ Robertson	No business interest, shares and / or directorships held.
MN Baadjies	No business interest, shares and / or directorships held.
SW Kock	No business interest, shares and / or directorships held.
MA Maloi	No business interest, shares and / or directorships held.
WRH Olyn	25% shares of Lungisani Enterprise-Director
A Verwey	No business interest, shares and / or directorships held.
JH Vorster	No business interest, shares and / or directorships held.
JJ Tolken	No business interest, shares and / or directorships held.
Municipal Manager - LS Itumeleng	No business interest, shares and / or directorships held.
Former Acting Municipal Manager & Senior Manager Corporate Services - NM Mkontwana	No business interest, shares and / or directorships held.
Former Acting Municipal Manager - D Molaole	No business interest, shares and / or directorships held.
Senior Manager Technical Services - TH Zingange	No business interest, shares and / or directorships held.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

40. Related parties (continued)

Related party balances

Provision for doubtful debts related to outstanding balances with related parties		
SJ Riegert	12 139	-
AJ Robertson	771	-
GL Yekani	1 127	15 771
MN Baadjies	2 520	-
JH Vorster	-	47 398
WRH Olyn	2 917	60 788
SW de Kock	15 521	80 332
M Zeekoei	-	65 376
A Verwey	2 764	1 791
CC Jantjies	612	15 065

Notes to the Audited Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Remuneration of management

Segement

2024

Name	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Total
Senior Management	2 436 744	270 000	218 690	195 285	3 120 719

2023

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Leave days due	Total
Senior Management	16 769	2 189 092	112 500	135 264	24 592	178 458	38 580	2 695 255

41. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Liquidity risk

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.

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	127 637	-	-	-
Employee benefit oblgation	793 000	-	-	-
Payables from exchange transactions	60 874 580	-	-	-
Unspent conditional grants and receipts	6 873 699	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	92 630	-	-	-
Employee benefit oblgation	476 000	-	-	-
Payables from exchange transactions	134 446 414	-	-	-
Unspent conditional grants and receipts	11 672 385	-	-	-

Credit risk

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

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net, after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 6 for balances included in receivables that were re-negotiated for the period under review.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

41. Risk management (continued)

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.

Market risk

Interest rate risk

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

Price risk

The municipality is not exposed to price risk.

42. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	13 486 503	13 486 503
Cash and cash equivalents	13 377 451	13 377 451
	26 863 954	**26 863 954**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	51 284 222	51 284 222
Consumer deposits	127 637	127 637
Unspent conditional grants and receipts	6 873 699	6 873 699
	58 285 558	**58 285 558**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	14 036 052	14 036 052
Cash and cash equivalents	17 976 502	17 976 502
	32 012 554	**32 012 554**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	124 207 292	124 207 292
Consumer deposits	92 630	92 630
Unspent conditional grants and receipts	11 672 385	11 672 385
	135 972 307	**135 972 307**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

43. Unauthorised expenditure

Opening balance as previously reported	483 398 698	440 261 947
Add: Unauthorised expenditure - current	32 125 020	43 136 751
Closing balance	**515 523 718**	**483 398 698**

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

Non-cash	23 449 131	40 270 127
Cash	8 675 889	2 866 624
	32 125 020	**43 136 751**

Analysed as follows: non-cash

Depreciation and amortisation	-	15 642 904
Loss on disposal of property, plant and equipment	2 060 352	1 518 799
Provision of impairment	21 388 779	23 108 424
	23 449 131	**40 270 127**

Analysed as follows: cash

Bulk purchases	3 559 588	194 651
Finance charges	5 116 301	2 671 973
	8 675 889	**2 866 624**

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 4	32 125 020	42 394 367
Vote 6	-	742 384
	32 125 020	**43 136 751**

Disciplinary steps taken/criminal proceedings

None.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	39 889 321	36 381 796
Opening balance as restated	**39 889 321**	**36 381 796**
Add: Expenditure identified - current	1 279 531	5 112 245
Less: Fruitless and wasteful - correction of error	-	(1 604 720)
Closing balance	**41 168 852**	**39 889 321**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	None	1 279 531	3 507 525

45. Irregular expenditure

Opening balance as previously reported	93 307 155	103 958 580
Opening balance as restated	**93 307 155**	**103 958 580**
Add: Irregular Expenditure - current	4 590 094	-
Less: Irregular Expenditure - written off	-	(10 651 425)
Closing balance	**97 897 249**	**93 307 155**

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

	Disciplinary steps taken/criminal proceedings		
Procurement in contravention of Supply chainmanagement policy - less than 3 quotationsobtained	None	757 064	-
Procurement in contravention of the Municipal Supply Chain Regulations	None	3 833 030	-
		4 590 094	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

46. Events after the reporting date

The municipalities electricity tariff application for the 2024-2025 was approved by Nersa. The municipalities 2024-2025 electricity tariff application was not based on a cost of supply study as required. A High Court judgement on the 08 July 2024 concluded that the electricity tariffs for the 2024/2025 financial year as approved by Nersa were unlawful.

47. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 521 564 777 and that the municipality's total assets exceed its liabilities by R 521 564 777.

We draw attention to the fact that at 30 June 2024, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 1 222 days from (2023: 1014 days).
5. The municipality's current liabilities exceeds it's current assets by R 23 619 088 (2023: R 96 459 350) which indicates a current ratio which is below the required norm of 1.5 - 2.
6. The municipality realised a surplus for the year under review of R 28 278 542 (2023: deficit R 2 363 892) the major contributors to this change is decreases in impairments and increases in revenue from exchange and non-exchange transactions such as service charges, investment income, grants and subsidies and the Eskom debt relief.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	1 971 375	2 358 670
Current year subscription / fee	577 085	512 705
Amount paid - current year	(1 383 550)	(900 000)
	1 164 910	**1 971 375**

Figures in Rand	2024	2023

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

Distribution losses

	2024	2023
Electricity distribution losses		
kWh purchased	10 697 238	10 486 505
Less: kWh sold	(8 319 198)	(6 995 689)
kWh Losses	**2 378 040**	**3 490 816**
% losses	22.23%	33.29%
Average cost per unit	2.359	2.336
Loss on Rand value	5 609 796	8 154 546
Water distribution losses (Kilo litres)		
Kilo litres purchased	911 580	764 104
Less: Kilo litres sold	(630 396)	(589 385)
	281 184	**174 719**
(Gain) / Loss %	30.85%	22.87%
Average cost per kilo litre	2.503	2.537
(Gain) / loss in rand value	703 805	443 262

Audit fees

	2024	2023
Opening balance	9 192 000	8 188 964
Current year subscription / fee	6 568 727	6 376 458
Amount paid - current year	(3 034 704)	(100 000)
National Treasury assistance	(5 656 180)	(5 273 421)
	7 069 843	**9 192 001**

PAYE, UIF and SDL

	2024	2023
Opening balance	414 633	-
Current year subscription / fee	5 439 441	5 094 619
Penalties & Interest	103 496	489 112
Amount paid	(5 457 355)	(5 169 097)
	500 215	**414 634**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

	2024	2023
Opening balance	1 683 826	265 404
Current year subscription / fee	7 862 714	7 348 385
Amount paid - current year	(8 961 852)	(5 929 963)
	584 688	**1 683 826**

VAT

	2024	2023
VAT receivable	11 733 757	10 906 958

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Maloi	(2 195)	-	(2 195)
Councillor GL Yekani	1 441	10 773	12 214
Councillor WRH Olyn	1 663	29 608	31 271
Councillor SW de Kock	2 264	77 069	79 333
Councillor CC Jantjies	1 544	8 718	10 262
Councillor AJ Robertson	(10 684)	17 426	6 742
Councillor MN Baadtjies	1 474	1 046	2 520
Councillor JH Vorster	1 123	-	1 123
Councillor A Verwey	986	1 777	2 763
Councillor SJ Riegert	2 672	61 040	63 712
	288	**207 457**	**207 745**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Maloi	3 087	8 410	11 497
Councillor GL Yekani	2 959	12 811	15 770
Councillor WRH Olyn	5 451	55 337	60 788
Councillor SW de Kock	6 225	74 107	80 332
Councillor CC Jantjies	6 873	8 193	15 066
Councillor M Zeekoei	5 665	59 711	65 376
Councillor AJ Robertson	4 717	28 534	33 251
Councillor MN Baadtjies	(3 650)	-	(3 650)
Councillor JH Vorster	5 700	41 698	47 398
Councillor A Verwey	600	1 190	1 790
	37 627	**289 991**	**327 618**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

49. Change in estimate

Property, plant and equipment

Ubuntu Local Municipality performed a condition assessment on all categories of Property, plant and equipment at year-end which is one of the indicators used to determine the Remaining Useful life of an asset .The useful lives of all asset classes were adjusted during 2023/2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the Municipality during 2023/2024 has decreased the depreciation charge for the current by R 239 767 and future periods. The effect of these changes on future periods will amount to R 239 767.

Statement of financial position	
Increase in property, plant and equipment	239 767
Statement of financial performance	
Decrease in depreciation and amortization	(239 767)

50. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

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

50.1. Prior period error - Understatement of investment property:

During the period under review it was noted that the investment proeprty register was understated due to various ommissions of municipal land at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in investment property	1 514 372
Increase in accumulated surplus	(1 514 372)
	-

50.2. Prior period error - Overstatement of revenue from exchange and non exchange transactions due to billing errors:

During the period under review it was noted that prior years revenue from exchange transactions (service charges and revenue from non-exchange property rates was understated due to billing errors, estimates and incorrect meter readings and unbilled consumption. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase receivables from exchange transactions	2 714 590
Decrease in statutory receivables from non-exchange transactions	(16 541)
Decrease in accumulated surplus	11 869
	2 709 918
Statement of financial performance	
Increase in revenue from exchange transactions (service charges)	(2 726 459)
Decrease in revenue from non-exchange transactions (property rates)	16 541
	(2 709 918)

50. Prior period errors (continued)

50.3. Prior period error - Misstatement of buidlings FAR:

During the period under review it was noted that the buildings property register was understated due to various ommissions of municipal land and properties at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property, plant and equipment - buildings	169 301
Increase in accumulated surplus	(186 132)
	(16 831)
Statement of financial performance	
Increase in depreciation and amortisation	16 831

50.4. Prior period error - Misstatement of infrastructure FAR:

During the period under review it was noted that the infratructure register was understated due to various ommissions of municipal land and properties at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property, plant and equipment - infrastructure	395 665
Increase in accumulated surplus	(425 552)
	(29 887)
Statement of financial performance	
Increase in depreciation and amortisation	29 887

50.5. Prior period error - Misstatement of other receivables from exchange transactions:

During the period under review it was noted that the municipality did not raise revenue for the recovery of the portion of the medical aid contrbutions for continous members at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in payables from exchange transactions - payroll controll	69 574
Decrease in payable from exchange transactions - unallocated receipts	71 734
Increase in Other receivables from exchange transactions - Medical aid contributions recoverable	2 015
	143 323
Statement of financial performance	
Increase in Revenue from exchange transactions - other income	(143 323)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

50. Prior period errors (continued)

50.6. Prior period error - Misstatement on the unauthorised expenditure note disclosure:

In the previous financial year the unauthorised expenditure disclosure was misstated due to prior period error corrections as identified above. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Disclosure note	
Unauthorised expenditure - previously stated	465 003 025
Unauthorised expenditure - restated	483 398 698
	18 395 673

50.7. Prior period error - Misstatement on the fruitless and wasteful expenditure note disclosure:

In the previous financial year the fruitless and wasteful expenditure disclosure was misstated due to prior period error corrections as identified above. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Disclosure note	
Fruitless and wasteful expenditure - previously stated	41 494 041
Fruitless and wasteful expenditure - restated	39 889 321
	(1 604 720)

50.8. Prior period error - Misstatement on the Additional disclosure in terms of Municipal Finance Management Act note disclosure:

In the previous financial year the MFMA Disclosure - Pension and Medical Aid Deductions was misstated due due to prior period error corrections as identified above. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Disclosure note	
MFMA Disclosure - Pension and Medical Aid Deductions - previously stated	1 728 980
MFMA Disclosure - Pension and Medical Aid Deductions - restated	1 683 826
	(45 154)

50.9. Prior period error - Misstatement of availability charges:

During the period under review it was noted that basic electricit and water levies was misclassified as availability charges at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Decrease in availability charges	5 307 655
Increase in service charges - electricity	(1 512 863)
Increase in service charges - water	(3 794 792)
	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

51. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due missmapping of various general ledger account. That error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial performance - extract	Comparative figures previously reported	Reclassification	After reclassification
Other receivables from exchange transactions	802 500	(141 309)	661 191
Payables from exchange transactions	(132 983 001)	141 309	(132 841 692)
	(132 180 501)	**-**	**(132 180 501)**

52. Deviation Section 36(2) Supply Chain Management Regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council.

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.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

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Reason for deviation:	Number of deviations 2024	Rand value 2024	Number of deviations 2023	Rand value 2023
Sole supplier	9	156 414	15	571 376
Emergency	7	179 474	3	302 642
	16	**335 888**	**18**	**874 018**

Notes to the Audited Annual Financial Statements

53. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.

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

Aggregated segments

The municipality operates throughout the Victoria West, Loxton, Richmond and Hutchinson area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Finance and Administration	Providing support functions to the municipality
Community and Social Services	Providing other services to the community
Planning and Development	Town planning and administration
Road Transport	Economic development and protections services
Energy Sources	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse

Types of assets and liabilities per segment:

These reportable segments as well as the assets and/or liabilities for each segment are set out below:

Reportable segment	Goods and/or services
Finance and Administration	Assets and Liabilities linked to the finance and administrative support function of the municipality.
Community and Social Services	Assets and Liabilities linked to the community and social services function of the municipality.
Infrastructure and Planning	Assets and Liabilities linked to the provision of basic services function of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit

2024

	Finance and Administration	Community and Social Services	Waste Management	Planning and Development	Energy Sources	Road Transport	Water Management	Waste Water Management	Executive and Council	Total
Revenue										
Revenue from exchange transactions	9 188 342	(4 116 183)	6 638 341	428 748	19 606 922	820 474	8 486 634	5 915 812	-	46 969 090
Revenue from non-exchange transactions	76 942 118	2 382 641	16 934 597	-	-	3 650	21 470 000	-	22 280 860	140 013 866
Total segment revenue	**86 130 460**	**(1 733 542)**	**23 572 938**	**428 748**	**19 606 922**	**824 124**	**29 956 634**	**5 915 812**	**22 280 860**	**186 982 956**
Entity's revenue										**186 982 956**
Expenditure										
General expenses	14 773 211	6 016 843	1 057 222	1 510 541	703 984	98 018	5 728 487	519 312	1 313 254	31 720 872
Bulk purchases	-	-	-	-	25 229 588	-	-	-	-	25 229 588
Finance costs	10 568 302	-	-	-	-	-	-	-	-	10 568 302
Salaries and wages	7 876 805	6 863 261	2 477 820	8 531 561	1 125 555	3 860 364	1 975 202	2 828 327	1 130 670	36 669 565
Remuneration of Councillors	-	-	-	-	-	-	-	-	5 080 541	5 080 541
Gains and losses	86 596	-	-	-	-	-	2 060 352	-	-	2 146 948
Debt impairment	-	-	-	-	30 477 600	-	-	-	-	30 477 600
Depreciation	-	-	-	-	16 810 998	-	-	-	-	16 810 998
Total segment expenditure	**33 304 914**	**12 880 104**	**3 535 042**	**10 042 102**	**74 347 725**	**3 958 382**	**9 764 041**	**3 347 639**	**7 524 465**	**158 704 414**
Total segmental surplus/(deficit)	**52 825 546**	**(14 613 646)**	**20 037 896**	**(9 613 354)**	**(54 740 803)**	**(3 134 258)**	**20 192 593**	**2 568 173**	**14 756 395**	**28 278 542**

53. Segment information (continued)

Segment assets and liabilities

2024

	Finance and Administration	Infrastructure & Planning	Community and Social Services	Total
Assets				
Non-current assets	194 192 738	412 381 742	13 789 929	620 364 409
Current assets	45 049 827	-	-	45 049 827
Total segment assets	**239 242 565**	**412 381 742**	**13 789 929**	**665 414 236**
Total assets as per Statement of financial Position				**665 414 236**
Liabilities				
Non-current liabilities	-	75 180 545	-	75 180 545
Current liabilities	55 552 761	13 116 153	-	68 668 914
Total segment liabilities	**55 552 761**	**88 296 698**	**-**	**143 849 459**
Total liabilities as per Statement of financial Position				**143 849 459**

Notes to the Audited Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit

2023

	Finance and Administration	Community and Social Services	Waste Management	Planning and Development	Energy Sources	Road Transport	Water Management	Waste Water Management	Executive and Council	Total
Revenue										
Revenue from exchange transactions	16 016 094	30 950	6 243 779	528 128	8 897 000	406 562	7 591 516	5 632 480	-	45 346 509
Revenue from non-exchange transactions	76 851 468	5 907 297	9 000 000	-	6 473 040	15 600	13 322 409	-	-	111 569 814
Total segment revenue	**92 867 562**	**5 938 247**	**15 243 779**	**528 128**	**15 370 040**	**422 162**	**20 913 925**	**5 632 480**	**-**	**156 916 323**
Entity's revenue										**156 916 323**
Expenditure										
General expenses	15 421 154	5 285 091	219 224	2 237 939	2 913 058	132 549	4 051 993	490 853	758 602	31 510 463
Bulk purchases	-	-	-	-	24 494 652	-	-	-	-	24 494 652
Finance costs	6 876 692	-	-	-	-	-	-	-	-	6 876 692
Salaries and wages	6 605 995	7 537 747	2 556 758	8 438 679	1 165 454	3 856 534	1 929 019	2 528 336	1 753 703	36 372 225
Remuneration of councillors	-	-	-	-	-	-	-	-	4 794 189	4 794 189
Gains and losses	562 007	-	-	-	-	-	1 518 799	-	-	2 080 806
Debt impairment	-	-	-	-	37 508 283	-	-	-	-	37 508 283
Depreciation	-	-	-	-	15 642 905	-	-	-	-	15 642 905
Total segment expenditure	**29 465 848**	**12 822 838**	**2 775 982**	**10 676 618**	**81 724 352**	**3 989 083**	**7 499 811**	**3 019 189**	**7 306 494**	**159 280 215**
Total segmental surplus/(deficit)	**63 401 714**	**(6 884 591)**	**12 467 797**	**(10 148 490)**	**(66 354 312)**	**(3 566 921)**	**13 414 114**	**2 613 291**	**(7 306 494)**	**(2 363 892)**

53. Segment information (continued)

Segment assets and liabilities

2023

	Finance and Administration	Infrastructure & Planning	Community and Social Services	Total
Assets				
Non-current assets	192 572 047	401 409 735	15 795 540	609 777 322
Current assets	50 130 012	98 068	-	50 228 080
Total segment assets	**242 702 059**	**401 507 803**	**15 795 540**	**660 005 402**
Total assets as per Statement of financial Position				**660 005 402**
Liabilities				
Non-current liabilities	14 940 735	6 214 422	-	21 155 157
Current liabilities	55 642 610	89 921 401	-	145 564 011
Total segment liabilities	**70 583 345**	**96 135 823**	**-**	**166 719 168**
Total liabilities as per Statement of financial Position				**166 719 168**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

54. Compensation received for agency activities

Agent in arrangement

The Ubuntu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018.

Ubuntu Local Municipality was paid 12% commission by Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of the principal under the custodianship of Ubuntu Local Municipality, nor have they been recognised as such.

	2024	2023
Commission	68 409	70 261

Reconciliaiton of Agency Funds and Disbursements - 2024

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	539 766	(101 769)	437 997

The reason for the above variance is due to 12% commission witheld by the municipality and cashflow contraints.

Reconciliaiton of Agency Funds and Disbursements - 2023

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	1 038 042	(618 522)	419 520

The reason for the above variance is due to 12% commission witheld by the municipality and cashflow contraints.

55. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

x1: Budget figure does not include impairement, the service changers amount includes impairment, availability is included in service chargers.

x2: Under-anticipated revenue for the year.

x3: Over-anticipated revenue for the year.

x4: Increase in debtors that was not anticipated, due to non payment of debtor's accounts.

x5: The Department took away certain functionalities from the municipality.

x6: Difficult to predict as it is based on the frequency of unpredictable events.

Figures in Rand	2024	2023

55. Budget differences (continued)

x7: Difficult to predict as it is based on the frequency of unpredictable events.

x8: Management did not anticipate reduction in grant spending resulting in funds kept in investment (Operational).

x9: Changes and correction made during the year.

x10: Budget figure included in the exchange interest revenue.

x11: Grant budget did not take into account the funds withheld and increased unspent grants.

x12: Not Budgeted For.

x13: Municipality was unable to a point a service provider for speedcameras and back office support during the year.

x14: Key budgeted vacant posts not filled during the year, a small percentage of staff is on medical aid.

x15: Variance is below 10%. Councillors received back pay.

x16: Budget depreciation not calculted correctly

x17: Not Budgeted For

x18:Due to low collection rate, the municipality could not settle its Eskom account monthly as anticipated.

x19: Budgeted for Under Bad Debts Written Off.

x20: Budget based spending and actual based on invoices.

x21: Mapping of actuals in General Expenses

x22: A portion budgeted for in Contracted Services

x23: Not budgeted for, year end adjustement.

x24: Not budgeted for, year end adjustement.

x25: Not budgeted for, year end adjustement.

x26: Inventory not correctly budgeted for.

x27: Municipality anticipated an increase.

x28: Included in budget for receivables from exchange transactions.

x29: Budget includes receivable from non-exchange transactions.

x30: Budget includes receivable from non-exchange transactions.

x31: Municipality anticipated an increase in cashflow through collection, resulting in an increase in cash and cash equivalent.

x32: No all the investment property was captured during the budget process.

x33: Below the 10% variance allowance.

x34: Municipality anticipated to purchase more laptops for the financial year, due to the low collection rate.

x35: Incorrectly budgeted for.

x36: Increase in outstanding creditors due to the low collection rate.

55. Budget differences (continued)

x37: Municipality anticipated more consumer deposits.

x38: Year end adjustment.

x39: Municipality planned spend all grants.

x40: Incorrectly budgeted for.

x41: Below the 10% variance allowance.

x42: Budget does not take into account change in discount factor and additions during the year.