Renosterberg Local Municipality
Annual financial statements
for the year ended 30 June, 2024
Auditor-General South Africa

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Renosterberg Local Municipality is a local municipality performing the functions as set out in the Constitution, Act 105 of 1996.
Mayoral committee	
Executive Mayor	Cllr. AI Samson (Mayor)
	Cllr. TK Ramakwa (Speaker)
	Cllr. VS Niewenhuisen (Chief Whip)
Councillors	Cllr. JMZ Posthumus
	Cllr. CS Papashe-Hugo
	Cllr. D Kelem
	Cllr. N Booysen
	Cllr. W Fillies
	Cllr. EG Bekkers
Grading of local authority	Low Capacity (Grade 2)
Accounting Officer	Mr. TM Barnett - Appointed to act on 08 April 2024 (Seconded by Provincial COHGTA)
	Mr. JJ Fortuin - Appointed to act on 6 July 2022 - 28 March 2024 (Seconded by Provincial COHGTA)
Chief Finance Officer (CFO)	Mr. I Johane - Appointed on 01 February 2024 (Seconded by NCPT)
	Ms. A Thibedi - Appointed on 2 March 2022 - 31 December 2023 (Seconded by NCPT)
Registered office	555 School Street Petrusville 8770
Business address	School Street Petrusville 8770
Postal address	PO Box 112 Petrusville 8770
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General South Africa
Attorneys	Mjila and Partners

General Information

Enabling legislations	Municipal Finance Management Act (Act no. 56 of 2003) Municipal Property Rates Act 6 of 2004 Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Spatial Planning and Land Use Management Act (Act 16 of 2013) Division of Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no 89 of 1991) 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, 2022 Disaster Management Act of 2016

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
IDP	Intergrated Development Plan
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MSA	Municipal Systems Act
MIG	Municipal Ifrastructure Grant
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer 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 annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November, 2024 and were signed on its behalf by:

Mr. T Barnett
Acting Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in renosterberg local municipality is a local municipality performing the functions as set out in the constitution, act 105 of 1996. and operates principally in South Africa.

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

Net deficit of the municipality was 44,574,257 (2023: deficit 16,125,411).

2. Going concern

We draw attention to the fact that at 30 June, 2024, the municipality had an accumulated surplus (deficit) of 297,293,622 and that the municipality's total assets exceed its liabilities by 297,293,622 and the current liabilities exceesa its current assets by .

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

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

For details of managements assumptions with respect to the municipality to the going concern assumption refer to note 43.

3. Subsequent events

Refer to the note 44 for further details with regards to the High Court Rulling on electricity taffis increament.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared 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 Officer

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

Name	Nationality	Changes
Mr JJ Fortuin	South African	Resigned Friday, 31 May, 2024
Mr. T Barnett	South African	Appointed Monday, 3 June, 2024

7. Auditors

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

Statement of Financial Position as at 30 June, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	24,486	16,516
Receivables from exchange transactions	4&5	-	239
Statutory receivables from non-exchange transactions	5	2,799,551	2,106,590
VAT receivable	6	11,159,233	6,643,437
Consumer receivables from exchange transactions	7	10,580,657	5,888,765
Cash and cash equivalents	8	830,545	894,993
		25,394,472	**15,550,540**
Non-Current Assets			
Investment property	9	41,542,000	34,417,988
Property, plant and equipment	10	476,032,684	549,945,098
Intangible assets	11	12,999	18,787
		517,587,683	**584,381,873**
Total Assets		**542,982,155**	**599,932,413**
Liabilities			
Current Liabilities			
Other financial liabilities	51	29,466,509	-
Finance lease obligation	12	1,402,033	2,750,483
Payables from exchange transactions	13	106,965,964	213,130,276
Consumer deposits	14	1,038,708	932,390
Employee benefit obligation	15	686,000	247,000
Unspent conditional grants and receipts	16	49,613	599,606
Provisions	17	22,927,957	21,943,341
		162,536,784	**239,603,096**
Non-Current Liabilities			
Other financial liabilities	51	68,213,544	-
Finance lease obligation	12	-	1,402,033
Employee benefit obligation	15	1,863,000	2,035,000
Provisions	17	13,075,205	15,024,403
		83,151,749	**18,461,436**
Total Liabilities		**245,688,533**	**258,064,532**
Net Assets		**297,293,622**	**341,867,881**
Accumulated surplus		297,293,622	341,867,881
Total Net Assets		**297,293,622**	**341,867,881**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	9,765,472	12,313,069
Rental of facilities and equipment		506,120	466,275
Other income	19	335,932	293,761
Interest received - investment	20	487,712	363,353
Total revenue from exchange transactions		**11,095,236**	**13,436,458**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	5,895,585	4,669,933
Availability charges	22	4,746,504	4,148,253
Transfer revenue			
Government grants & subsidies	23	66,793,539	59,827,781
Public contributions and donations	24	32,170,546	8,937,021
Total revenue from non-exchange transactions		**109,606,174**	**77,582,988**
Total revenue	25	**120,701,410**	**91,019,446**
Expenditure			
Employee related costs	26	(30,175,598)	(24,937,694)
Remuneration of councillors	27	(4,114,665)	(3,844,902)
Depreciation and amortisation	28	(16,162,758)	(19,898,787)
Finance costs	30	(15,063,401)	(8,082,826)
Lease rentals on operating lease		(263,713)	(122,071)
Debt Impairment	31	897,995	(16,337,611)
Bulk purchases	32	(14,793,019)	(13,784,327)
General Expenses	33	(13,581,581)	(20,058,807)
Total expenditure		**(93,256,740)**	**(107,067,025)**
Operating surplus (deficit)		**27,444,670**	**(16,047,579)**
Loss on disposal of assets and liabilities		(71,630,095)	(2,236,403)
Fair value adjustments	36	11,272,020	600,077
Actuarial gains/losses	15	103,000	554,462
Impairment loss	29	(11,763,852)	(39,698)
		(72,018,927)	**(1,121,562)**
Deficit for the year		**(44,574,257)**	**(17,169,141)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 1 July, 2022	**359,037,022**	**359,037,022**
Changes in net assets		
Surplus for the year	(17,169,141)	(17,169,141)
Total changes	(17,169,141)	(17,169,141)
Restated* Balance at 1 July, 2023	**341,867,879**	**341,867,879**
Changes in net assets		
Surplus for the year	(44,574,257)	(44,574,257)
Total changes	(44,574,257)	(44,574,257)
Balance at 30 June, 2024	**297,293,622**	**297,293,622**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		18,627,007	9,868,155
Grants		66,243,546	60,974,883
Interest income		487,712	363,353
		85,358,265	71,206,391
Payments			
Employee costs		(31,070,480)	(35,777,261)
Suppliers		(27,059,519)	(17,136,566)
Finance costs		(527,561)	(769,302)
		(58,657,560)	(53,683,129)
Net cash flows from operating activities	35	**26,700,705**	**17,523,262**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(24,404,755)	(17,057,627)
Proceeds from sale of property, plant and equipment	10	390,085	2,453,175
Net cash flows from investing activities		**(24,014,670)**	**(14,604,452)**
Cash flows from financing activities			
Finance lease payments		(2,750,483)	(3,442,838)
Net increase/(decrease) in cash and cash equivalents		**(64,448)**	**(524,028)**
Cash and cash equivalents at the beginning of the year		894,993	1,419,021
Cash and cash equivalents at the end of the year	8	**830,545**	**894,993**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	17,584,473	3,133,336	**20,717,809**	9,765,472	**(10,952,337)**	
Rental of facilities and equipment	405,119	324,456	**729,575**	506,120	**(223,455)**	
Licences and permits	6,961	(6,961)	**-**	-	**-**	
Other income - (rollup)	25,101	12,910	**38,011**	335,932	**297,921**	
Interest received - investment	157,950	288,050	**446,000**	487,712	**41,712**	
Total revenue from exchange transactions	**18,179,604**	**3,751,791**	**21,931,395**	**11,095,236**	**(10,836,159)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4,436,660	3,324,228	**7,760,888**	5,895,585	**(1,865,303)**	
Availability charges	-	-	**-**	4,746,504	**4,746,504**	
Transfer revenue						
Government grants & subsidies	46,697,000	20,930,000	**67,627,000**	66,793,539	**(833,461)**	
Public contributions and donations	-	-	**-**	32,170,546	**32,170,546**	
Total revenue from non-exchange transactions	**51,133,660**	**24,254,228**	**75,387,888**	**109,606,174**	**34,218,286**	
Total revenue	**69,313,264**	**28,006,019**	**97,319,283**	**120,701,410**	**23,382,127**	
Expenditure						
Personnel	(31,576,383)	3,501,983	**(28,074,400)**	(30,175,598)	**(2,101,198)**	
Remuneration of councillors	(4,016,517)	-	**(4,016,517)**	(4,114,665)	**(98,148)**	
Depreciation and amortisation	(9,164,861)	1,934,888	**(7,229,973)**	(16,162,758)	**(8,932,785)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(11,763,852)	**(11,763,852)**	
Finance costs	-	-	**-**	(15,063,401)	**(15,063,401)**	
Lease rentals on operating lease	-	-	**-**	(263,713)	**(263,713)**	
Debt Impairment	-	-	**-**	897,995	**897,995**	
Bad debts written off	(17,741,343)	(30,258,657)	**(48,000,000)**	-	**48,000,000**	
Bulk purchases	(10,530,000)	-	**(10,530,000)**	(14,793,019)	**(4,263,019)**	
Contracted Services	(3,478,550)	(706,450)	**(4,185,000)**	-	**4,185,000**	
General Expenses	(6,651,068)	(1,655,923)	**(8,306,991)**	(13,581,581)	**(5,274,590)**	
Total expenditure	**(83,158,722)**	**(27,184,159)**	**(110,342,881)**	**(105,020,592)**	**5,322,289**	
Operating surplus	**(13,845,458)**	**821,860**	**(13,023,598)**	**15,680,818**	**28,704,416**	
Loss on disposal of assets and liabilities	1,263,600	-	**1,263,600**	(71,630,095)	**(72,893,695)**	
Fair value adjustments	-	-	**-**	11,272,020	**11,272,020**	
Actuarial gains/losses	-	-	**-**	103,000	**103,000**	
	1,263,600	**-**	**1,263,600**	**(60,255,075)**	**(61,518,675)**	
Deficit before taxation	**(12,581,858)**	**821,860**	**(11,759,998)**	**(44,574,257)**	**(32,814,259)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(12,581,858)**	**821,860**	**(11,759,998)**	**(44,574,257)**	**(32,814,259)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(557,986)	2,989,266	**2,431,280**	24,486	**(2,406,794)**	
Receivables from exchange transactions	-	-	**-**	11,159,233	**11,159,233**	
Statutory receivables from non-exchange transactions	144,545,887	(114,117)	**144,431,770**	2,799,551	**(141,632,219)**	
VAT receivable	-	(391,055)	**(391,055)**	11,159,233	**11,550,288**	
Consumer debtors	(87,003,315)	(28,643,533)	**(115,646,848)**	10,580,657	**126,227,505**	
Other asset	-	(609)	**(609)**	-	**609**	
Cash and cash equivalents	71,668,338	(45,479,047)	**26,189,291**	830,545	**(25,358,746)**	
	128,652,924	**(71,639,095)**	**57,013,829**	**36,553,705**	**(20,460,124)**	
Non-Current Assets						
Investment property	26,606,761	-	**26,606,761**	41,542,000	**14,935,239**	
Property, plant and equipment	(1,051,436,006)	49,061,872	**(1,002,374,134)**	476,032,684	**1,478,406,818**	
Intangible assets	-	-	**-**	12,999	**12,999**	
	(1,024,829,245)	**49,061,872**	**(975,767,373)**	**517,587,683**	**1,493,355,056**	
Total Assets	**(896,176,321)**	**(22,577,223)**	**(918,753,544)**	**554,141,388**	**1,472,894,932**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	29,466,509	**29,466,509**	
Finance lease obligation	-	4,167,150	**4,167,150**	1,402,033	**(2,765,117)**	
Payables from exchange transactions	(26,684,471)	(3,440,865)	**(30,125,336)**	106,965,966	**137,091,302**	
Taxes and transfers payable (non-exchange)	11,098,000	(534,000)	**10,564,000**	-	**(10,564,000)**	
VAT payable	-	1,997,892	**1,997,892**	-	**(1,997,892)**	
Consumer deposits	12,625,994	95,543	**12,721,537**	1,038,708	**(11,682,829)**	
Employee benefit obligation	-	-	**-**	686,000	**686,000**	
Unspent conditional grants and receipts	-	-	**-**	49,613	**49,613**	
Provisions	-	-	**-**	22,927,957	**22,927,957**	
	(2,960,477)	**2,285,720**	**(674,757)**	**162,536,786**	**163,211,543**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	68,213,544	**68,213,544**	
Employee benefit obligation	-	-	**-**	1,863,000	**1,863,000**	
Provisions	(2,000,000)	-	**(2,000,000)**	13,075,205	**15,075,205**	
	(2,000,000)	**-**	**(2,000,000)**	**83,151,749**	**85,151,749**	
Total Liabilities	**(4,960,477)**	**2,285,720**	**(2,674,757)**	**245,688,535**	**248,363,292**	
Net Assets	**(891,215,844)**	**(24,862,943)**	**(916,078,787)**	**308,452,853**	**1,224,531,640**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(891,215,844)	(24,862,943)	**(916,078,787)**	297,293,621	**1,213,372,408**	
Undefined Difference	-	-	-	1	-	
Total Net Assets	**(891,215,844)**	**(24,862,943)**	**(916,078,787)**	**297,293,621**	**1,213,372,408**	

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

The municipality assesses its trade receivables, 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.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The 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 - lower or - 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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

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

Contingent provisions on entity combinations

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

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 15.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

Additional text

Additional text

Additional text

Other

1.5 Investment property

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Significant Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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.

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.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5, 15 - 80 years, someindefinite
Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 7 years
Office equipment	Straight-line	3 - 5 years
IT equipment	Straight-line	3 - 5 years
Infrastructure	Straight-line	5 - 100 years, someindefinite
Community	Straight-line	5 - 100 years, someindefinite
Bins and containers	Straight-line	5 - 7 years
Landfill sites	Straight-line	10 - 20 years
Specialised vehicles	Straight-line	5 - 7 years
Infrastructure asset - Wastewater network	Straight-line	12 - 100 years, someindefinite
Infrastructure asset - Water network	Straight-line	7 - 100 years, someindefinite
Infrastructure asset - Roads and stormwater network	Straight-line	55 - 100 years, someindefinite
Infrastructure asset - Electricity network	Straight-line	10 - 60 years

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

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

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

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

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

1.6 Property, plant and equipment (continued)

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.

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited 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
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

1.8 Intangible assets (continued)

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	Indefinite

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

1.9 Financial instruments

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

1.9 Financial instruments (continued)

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

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.

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.

1.9 Financial instruments (continued)

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.

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

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

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

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

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

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

1.9 Financial instruments (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other financial asset2	Financial asset measured at fair value

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
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.10 Statutory receivables (continued)

- 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 is recognised in surplus or deficit.

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

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

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

Derecognition

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

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

1.10 Statutory receivables (continued)

- 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.

1.11 Leases

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

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

Finance leases - 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.

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.

Significant Accounting Policies

1.12 Inventories

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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.

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.

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

Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

Identification

Employee benefits

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

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

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

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

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

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

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

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

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

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

(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.

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The municipality 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.

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.

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 municipality 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 municipality 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.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The municipality recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

1.15 Employee benefits (continued)

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

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).

Other post retirement obligations

Recognition and measurement

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

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

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

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

1.15 Employee benefits (continued)

Termination benefits

Recognition

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

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

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

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

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

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.

1.16 Provisions and contingencies

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. 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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

1.16 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

1.18 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 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.

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.

1.19 Revenue from non-exchange transactions

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

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

Control of an asset 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.

1.19 Revenue from non-exchange transactions (continued)

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.

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.

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for 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

1.19 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.

1.20 Investment income

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

1.21 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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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).

1.24 Fruitless and wasteful expenditure

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

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).

1.25 Irregular expenditure

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

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

1.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Significant Accounting Policies

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 01-Jul-21 to 30-Jun-22.

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

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

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.30 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:

Significant Accounting Policies

1.30 Events after reporting date (continued)

- 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.

1.31 Unspent conditional grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable

Unspent conditional grants are financial liabilities that are separately disclosed in the Statement of Financial Position.

2. New standards and interpretations

Guideline: Guideline on Accounting for Landfill Sites

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

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

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

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

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

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 104 (as revised): Financial Instruments

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

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

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

The effective date of the revisions is 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.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 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 1 July, 2024 or later periods but are not relevant to its operations:

3. Inventories

Consumables	21,059	13,443
Water for distribution	3,427	3,073
	24,486	**16,516**

Inventory pledged as security

No inventory was pledge as security.

4. Receivables from exchange transactions

Prepaid sales receivable	-	239

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

5. Statutory receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	18,968,762	21,239,970
Less: Allowance for impairment		
Consumer debtors - Rates	(16,169,211)	(19,133,380)
Net balance		
Consumer debtors - Rates	2,799,551	2,106,590
Rates		
Current	316,239	306,605
30 Days	297,571	291,387
60 Days	285,779	286,061
90 Days	274,136	282,182
> 90 Days	17,795,037	20,073,735
Less: Impairment	(16,169,211)	(19,133,380)
	2,799,551	**2,106,590**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Summary of debtors by customer classification

	2024	2023
Consumers		
Current	231,948	230,680
30 days	217,848	219,859
60 days	207,299	215,384
90 days	200,950	212,270
> 90 days	7,622,317	11,587,098
	8,480,362	12,465,291
Less: Allowance for impairment	(8,332,407)	(12,252,803)
	147,955	**212,488**

	2024	2023
Industrial/ commercial		
Current	55,009	47,090
30 days	50,612	42,693
60 days	49,707	42,004
90 days	46,515	41,239
> 90 days	8,016,399	6,560,072
	8,218,242	6,733,098
Less: Allowance for impairment	(7,610,380)	(6,639,024)
	607,862	**94,074**

	2024	2023
National and provincial government		
Current	29,282	28,835
30 days	29,112	28,836
60 days	28,772	28,673
90 days	26,671	28,673
> 90 days	2,156,321	1,926,564
	2,270,158	2,041,581
Less: Allowance for impairment	(226,424)	(241,554)
	2,043,734	**1,800,027**

	2024	2023
Total		
Current	316,239	306,605
30 days	297,571	291,387
60 days	285,779	286,061
90 days	274,136	282,182
> 90 days	17,795,037	20,073,734
	18,968,762	21,239,969
Less: Allowance for impairment	(16,169,211)	(19,133,380)
	2,799,551	**2,106,589**

	2024	2023
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19,133,380)	(16,690,385)
Contributions to allowance	(2,785,176)	(2,442,995)
Debt written off against allowance	5,749,345	-
	(16,169,211)	**(19,133,380)**

6. VAT receivable

	2024	2023
VAT Control	11,159,233	6,643,437

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Consumer receivables from exchange transactions

Gross balances		
Electricity	18,684,025	29,776,747
Water	21,998,930	33,931,490
Sewerage	13,366,306	19,129,974
Refuse	7,366,281	10,833,155
Sundry services	2,369,741	3,310,025
	63,785,283	**96,981,391**
Less: Allowance for impairment		
Electricity	(14,304,283)	(26,588,248)
Water	(19,250,133)	(32,481,977)
Sewerage	(11,375,802)	(18,283,619)
Refuse	(6,308,207)	(10,395,397)
Sundry services	(1,966,201)	(3,343,385)
	(53,204,626)	**(91,092,626)**
Net balance		
Electricity	4,379,742	3,188,499
Water	2,748,797	1,449,513
Sewerage	1,990,504	846,355
Refuse	1,058,074	437,758
Sundry services	403,540	(33,360)
	10,580,657	**5,888,765**
Electricity		
Current	287,681	296,937
30 days	227,294	286,221
60 days	229,173	363,640
90 days	230,475	479,438
> 90 days	17,785,152	28,350,511
Less: Allowance for impairment	(14,304,283)	(26,588,248)
	4,379,742	**3,188,499**
Water		
Current	1,669,771	411,063
30 days	318,793	1,199,873
60 days	445,356	537,374
90 days	418,699	390,301
> 90 days	19,049,472	31,392,879
Less: Allowance for impairment	(19,250,133)	(32,481,977)
	2,748,797	**1,449,513**
Sewerage		
Current	276,356	306,341
30 days	267,799	286,221
60 days	262,476	284,592
90 days	259,084	282,561
> 90 days	12,305,577	17,970,259
Less: Allowance for impairment	(11,375,802)	(18,283,619)
	1,990,504	**846,355**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Consumer receivables from exchange transactions (continued)

Refuse

Current	138,799	149,514
30 days	133,120	140,042
60 days	129,903	138,573
90 days	127,220	137,148
> 90 days	6,837,851	10,267,878
Less: Allowance for impairment	(6,308,207)	(10,395,397)
	1,058,074	**437,758**

Sundry debtors

Current	16,809	16,769
30 days	12,249	12,519
60 days	21,280	17,583
90 days	16,106	9,969
> 90 days	2,263,786	3,253,185
Less: Allowance for impairment	(1,966,201)	(3,343,385)
	403,540	**(33,360)**

Figures in Rand	2024	2023

7. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current	2,125,756	954,875
30 days	802,536	1,709,121
60 days	913,896	1,090,296
90 days	870,114	1,004,704
> 90 days	46,287,261	76,635,132
	50,999,563	81,394,128
Less: Allowance for impairment	(46,297,424)	(10,925,584)
	4,702,139	**70,468,544**
Industrial/ commercial		
Current	164,727	178,698
30 days	98,468	169,722
60 days	128,061	197,550
90 days	124,035	192,889
> 90 days	6,525,046	9,485,072
	7,040,337	10,223,931
Less: Allowance for impairment	(6,249,513)	(79,203,040)
	790,824	**(68,979,109)**
National and provincial government		
Current	98,933	47,050
30 days	58,251	46,034
60 days	46,231	53,917
90 days	57,435	101,824
> 90 days	5,429,531	5,114,507
	5,690,381	5,363,332
Less: Allowance for impairment	(657,687)	(964,002)
	5,032,694	**4,399,330**
Total		
Current	2,389,416	1,180,623
30 days	959,255	1,924,877
60 days	1,088,188	1,341,763
90 days	1,051,584	1,299,417
> 90 days	58,241,838	91,234,711
	63,730,281	96,981,391
Less: Allowance for impairment	(53,204,625)	(91,092,626)
	10,580,657	**5,888,765**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(91,092,626)	(77,198,009)
Contributions to allowance	3,683,170	(13,894,617)
Debt written off against allowance	34,204,830	-
	(53,204,626)	**(91,092,626)**

Consumer debtors pledged as security

Consumer debtors were pledged as security for overdraft facilities of - (2023: -) of the economic entity. At year end the overdraft amounted to - (2023: -).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	504,392	10,125
Short-term deposits	326,153	884,868
	830,545	**894,993**

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		
BB-	830,545	894,993

The municipality had the following bank accounts

Cash and cash equivalents pledged as collateral

No cash and cash equivalent were pledged as security

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	43,803,764	(2,261,764)	41,542,000	34,417,988	-	34,417,988

Reconciliation of investment property - 2024

	Opening balance	Disposals	Impairments	Fair value adjustments	Total
Investment property	34,417,988	(1,886,244)	(2,261,764)	11,272,020	41,542,000

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	33,877,986	(60,075)	600,077	34,417,988

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Investment property (continued)

Details of valuation

The effective date of the revaluations was Saturday, 1 July, 2023. Revaluations were performed by an independent valuer, R Spamer a property valuer, from DPP Valuation Expert. DPP Valuation Expert is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	506,120	466,275

Notes to the 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	145,751,005	(5,388,289)	140,362,716	215,366,039	-	215,366,039
Buildings	150,532,636	(115,835,915)	34,696,721	150,834,143	(113,194,189)	37,639,954
Infrastructure	626,624,919	(326,805,127)	299,819,792	607,312,246	(312,863,201)	294,449,045
Other property, plant and equipment	9,044,986	(7,891,531)	1,153,455	13,057,961	(10,567,901)	2,490,060
Total	**931,953,546**	**(455,920,862)**	**476,032,684**	**986,570,389**	**(436,625,291)**	**549,945,098**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	215,366,039	-	(69,615,034)	-	-	-	(5,388,289)	140,362,716
Buildings	37,639,954	-	(36,811)	-	-	(2,656,522)	(249,900)	34,696,721
Infrastructure	294,449,045	25,639,705	(4,586,313)	4,269,841	(4,269,841)	(11,827,830)	(3,854,889)	299,819,792
Other property, plant and equipment	2,490,060	355,000	(978)	-	-	(1,672,618)	(18,009)	1,153,455
	549,945,098	**25,994,705**	**(74,239,136)**	**4,269,841**	**(4,269,841)**	**(16,156,970)**	**(9,511,087)**	**476,032,684**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	217,292,039	-	(1,926,000)	-	-	-	-	215,366,039
Buildings	42,948,133	-	(1,670,976)	-	-	(3,613,317)	(23,886)	37,639,954
Infrastructure	286,454,494	23,139,121	(1,040,624)	8,657,584	(8,657,584)	(14,091,676)	(12,270)	294,449,045
Other property, plant and equipment	4,634,584	41,756	(1,962)	-	-	(2,180,775)	(3,543)	2,490,060
	551,329,250	**23,180,877**	**(4,639,562)**	**8,657,584**	**(8,657,584)**	**(19,885,768)**	**(39,699)**	**549,945,098**

Pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year-end.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	21,809,961	21,809,961
Additions/capital expenditure	25,407,719	25,407,719
Transferred to completed items	(4,269,841)	(4,269,841)
	42,947,839	**42,947,839**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	10,152,589	10,152,589
Additions/capital expenditure	20,314,956	20,314,956
Transferred to completed items	(8,657,584)	(8,657,584)
	21,809,961	**21,809,961**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

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		
Buildings	-	192,719
Infrastructure	-	227,569
Other property, plant and equipment	-	112,166
	-	**532,454**

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.

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, other	1,005,665	(992,666)	12,999	1,005,665	(986,878)	18,787

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	18,787	(5,788)	12,999

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	31,805	(13,018)	18,787

Pledged as security

Carrying value of intangible assets pledged as security:

Used to secure (borrowings) (banking facilities) (other: specify) granted to the municipality of - (2023: -).- refer to note .

Used to secure (borrowings) (banking facilities) (other: specify) granted to the municipality of - (2023: -).- refer to note .

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Finance lease obligation

Minimum lease payments due		
- within one year	1,567,302	3,273,547
- in second to fifth year inclusive	-	1,567,303
	1,567,302	4,840,850
less: future finance charges	(165,269)	(688,333)
Present value of minimum lease payments	**1,402,033**	**4,152,517**

Present value of minimum lease payments due		
- within one year	1,402,033	2,750,482
- in second to fifth year inclusive	-	1,402,033
	1,402,033	**4,152,515**

Non-current liabilities	-	1,402,033
Current liabilities	1,402,033	2,750,483
	1,402,033	**4,152,516**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 25% (2023: 25%).

Interest rates are fixed at the contract date. All leases escalate at 10% to 15% p.a and no arrangements have been entered into for contingent rent.

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

13. Payables from exchange transactions

Trade payables	75,499,699	179,680,468
Payments received in advanced - contract in process	4,795,262	3,730,528
Accrued leave pay	3,315,733	1,423,199
Accrued bonus	628,679	595,995
Salary control	18,064,991	19,532,938
Retentions payable	1,931,089	350,064
Deferred revenue - prepaid electicity sales	-	64,966
Suspense accounts	2,730,511	7,752,118
	106,965,964	**213,130,276**

14. Consumer deposits

Electricity	332,127	347,032
Water	706,581	585,358
	1,038,708	**932,390**

15. Employee benefit obligations

Defined benefit plans - General information

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

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

Carrying value		
Present value of Long Service Bonus	(2,206,000)	(1,939,000)
Present value of Post Employment Medical Aid Benefits	(343,000)	(343,000)
	(2,549,000)	**(2,282,000)**
Non-current liabilities	(1,863,000)	(2,035,000)
Current liabilities	(686,000)	(247,000)
	(2,549,000)	**(2,282,000)**

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

Opening balance	2,282,000	2,493,000
Service cost	163,000	190,000
Interest cost	207,000	209,000
Payments from the plan	-	(55,539)
Actuarial loss / (gain)	(103,000)	(554,461)
	2,549,000	**2,282,000**

Key assumptions used

Assumptions used at the reporting date:

The basis used to determine the overall expected rate of return on assets is as follow:

Discount rate

GRAP25 requires that the discount rate be set with regards to the market yield on government bonds at the reporting date. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses the current market rates of the appropriate term to discount sort term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

For the current valuation we used the nominal and real zero-coupon yield curves of the government bonds constructed by Sanlam Investments as at 30 June 2024 (closest available date to the valuation date) to discount the expected future payments. Different discount and inflation rates are therefore used for long service awards granted at different future durations.

Inflation rate

We assumed that inflation is determined by the difference between the nominal yield curve and the real yield curve. This is consistent with the previous valuation.

Salary increases

The salary increases, which we provided for in the valuation basis, consist of two components:

Merit increases to individual members as a result of promotion or merit. The following scale reflects the annual increases provided for between the ages stated. The assumptions are in line with the assumption regarding the general level of salaries and correspond to the previous valuation’s assumptions. (Ages 20 – 24: 5%; Ages 25 – 29: 4%; Ages 30 – 34: 3%; Ages 35 – 39: 2%; Ages 40 – 44: 1%; and Over 45 year: 0%)

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. Maintaining consistency with the previous valuation, we assumed that salary escalation is 1% above the implied inflation rate, and for the shorter terms set the salary inflation rate to a minimum of 5.25% p.a. In the calculations, we assume that the salary increases are given on 1 July of each year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

Sensitivity analysis

The results in the valuation are only estimates of the cost of providing long service leave award benefits. The actual cost to the Municipality will depend on actual future levels of assumed variables and demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation.

Withdrawal rate:

The liabilities calculated using different withdrawal rates compare as follows:

	-20% Withdrawal rate	Valuation assumptions	+20% Withdrawal rate
Defined Benefit Obligation	2,275,000	2,206,000	2,141,000
Service cost	155,000	147,000	140,000
Interest cost	235,000	227,000	220,000
	2,665,000	**2,580,000**	**2,501,000**

When the actual rates of withdrawal are assumed to be higher than the valuation assumptions, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Normal salary inflation:

The liabilities calculated using different normal salary inflation rates compare as follows:

	-1% Salary inflation	Valuation assumptions	+1% Salary inflation
Defined Benefit Obligation	2,117,000	2,206,000	2,309,000
Service cost	139,000	147,000	157,000
Interest cost	217,000	227,000	239,000
	2,473,000	**2,580,000**	**2,705,000**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	171,056
Extended Public Works Programme	-	378,937
Water Service Infrastructure Grant	49,613	49,613
	49,613	**599,606**

Movement during the year

Balance at the beginning of the year	599,606	2,136,387
Additions during the year	65,898,324	28,435,000
Income recognition during the year	(66,069,380)	(27,835,394)
Transfered to the national revenue fund	(378,937)	(2,136,387)
	49,613	**599,606**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Unspent conditional grants and receipts (continued)

See note 23 for reconciliation of grants from National/Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	36,967,744	2,156,002	(3,120,584)	36,003,162

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	30,991,551	5,976,193	36,967,744

	2024	2023
Non-current liabilities	13,075,205	15,024,403
Current liabilities	22,927,957	21,943,341
	36,003,162	**36,967,744**

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

The municipality does not have a permit of licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

Liabilities are present obligations arising from past events, the settlement of which is expected to result in an outflow from the municipalities resources embodying economic benefits. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environment Management Act, Act 107 of 1998, section 3(14)-(16) and 4(10) of Government Notice 718 of 3 July 2009 and the landfill permits issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

18. Service charges

	2024	2023
Sale of electricity	3,495,833	5,637,077
Sale of water	3,691,229	3,512,157
Sewerage and sanitation charges	4,725,692	4,393,668
Refuse removal	2,266,102	2,099,283
Revenue forgone	(4,413,384)	(3,329,116)
	9,765,472	**12,313,069**

19. Other income

	2024	2023
Building plans	10,913	18,869
Burial fees	335	736
Clearence certificates	11,613	12,935
Connection fees	304,095	256,547
Copies	2,726	674
Tender document fees	6,250	4,000
	335,932	**293,761**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

20. Interest received - investment

Interest revenue		
Bank	487,712	363,353

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

21. Property rates

Rates received

Residential	3,594,614	3,373,741
Commercial	746,357	697,374
State	341,724	324,525
Small holdings and farms	1,826,073	868,097
Less: Income forgone	(613,183)	(593,804)
	5,895,585	**4,669,933**

Valuations

Residential	354,389,000	354,389,000
Commercial	24,922,000	24,922,000
Small holdings and farms	801,000	801,000
	380,112,000	**380,112,000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

22. Availability charges

Electricity availability charge	2,906,086	2,440,018
Water availability charge	1,840,418	1,708,235
	4,746,504	**4,148,253**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants & subsidies

Operating grants

Equitable share	34,138,937	31,992,387
Financial Management Grant	3,100,000	3,100,000
Library Grant (Provincial Government)	1,460,000	1,400,000
Extended Public Works Programme	-	694,063
	38,698,937	**37,186,450**

Capital grants

Municipal Infrastructure Grant	19,635,056	15,690,944
Water Service Infrastructure Grant	8,459,546	6,950,387
	28,094,602	**22,641,331**
	66,793,539	**59,827,781**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	32,654,602	27,835,394
Unconditional grants received	34,138,937	31,992,387
	66,793,539	**59,827,781**

Equitable Share

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

Current-year receipts	33,760,000	29,856,000
Transfer from surrendered conditional grants	378,937	2,136,387
Recognised as revenue	(34,138,937)	(31,992,387)
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	171,056	-
Current-year receipts	19,464,000	15,862,000
Conditions met - transferred to revenue	(19,635,056)	(15,690,944)
	-	**171,056**

Conditions still to be met - remain liabilities (see note 16).

Extended Public Works Programme

Balance unspent at beginning of year	378,937	-
Current-year receipts	-	1,073,000
Conditions met - transferred to revenue	-	(694,063)
Transfered to Equitable share (Surrender to Revenue Fund)	(378,937)	-
	-	**378,937**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Government grants & subsidies (continued)

Financial Management Grant

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

Conditions met - there are no remain liabilities (see note 16).

Water Service Infrastructure Grant

Balance unspent at beginning of year	49,613	-
Current-year receipts	8,459,546	7,000,000
Conditions met - transferred to revenue	(8,459,546)	(6,950,387)
	49,613	**49,613**

Conditions still to be met - remain liabilities (see note 16).

Library Grant (Provincial Government)

Current-year receipts	1,460,000	1,400,000
Conditions met - transferred to revenue	(1,460,000)	(1,400,000)
	-	-

Conditions met - there are no remain liabilities (see note 16).

24. Public contributions and donations

Northern Cape Provincial Government	2,599,512	2,898,064
National treasury (AGSA Audit fees support)	7,035,310	6,038,957
Eskom Municipal Debt Relief Write-off	21,128,753	-
DWA Payable Write-off	1,406,971	-
	32,170,546	**8,937,021**

25. Revenue

Service charges	9,765,472	12,313,069
Rental of facilities and equipment	506,120	466,275
Other income - (rollup)	335,932	293,761
Interest received - investment	487,712	363,353
Property rates	5,895,585	4,669,933
Surcharges and Taxes	4,746,504	4,148,253
Government grants & subsidies	66,793,539	59,827,781
Public contributions and donations	32,170,546	8,937,021
	120,701,410	**91,019,446**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	9,765,472	12,313,069
Rental of facilities and equipment	506,120	466,275
Other income - (rollup)	335,932	293,761
Interest received - investment	487,712	363,353
	11,095,236	**13,436,458**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5,895,585	4,669,933
Surcharges and Taxes	4,746,504	4,148,253
Transfer revenue		
Government grants & subsidies	66,793,539	59,827,781
Public contributions and donations	32,170,546	8,937,021
	109,606,174	**77,582,988**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs

Basic	19,672,778	18,471,079
Bonus	1,439,012	1,161,568
Medical aid - company contributions	-	11,478
UIF	151,486	147,395
SDL	41,870	38,606
Contributions to bargaining council	13,073	10,135
Leave pay provision charge	1,914,703	(1,529,253)
Defined contribution plans	-	190,000
Travel, motor car, accommodation, subsistence and other allowances	55,320	35,301
Overtime payments	453,632	219,988
Acting allowances	133,947	101,961
Housing benefits and allowances	1,211,256	937,822
NCPG Service in Kind	2,599,512	2,898,064
Termination benefits	2,489,009	2,243,550
	30,175,598	**24,937,694**

Remuneration of the acting municipal manager (Mr. TM Bernard)

Annual Remuneration	268,296	-
	-	-

The acting municipal manager, has been seconded by Provincial COHGTA. The municipality does not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. Council took a decision of apointing him to act as the Municipal Manager commencing on 08 April 2024. He acted an a technical manager from 01 July 2022.

Remuneration of the former acting municipal manager (Mr. JJ Fortuin)

Annual Remuneration	804,887	1,073,183
Subsistance and travelling	31,745	-
	-	-

The acting municipal manager, was seconded by Provincial COHGTA. The municipality did not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. Council took a decision of apointing him to act as the municipal Manager commencing on 06 July 2022 which was terminated on 28 March 2024

Remuneration of the Chief Financial Officer (Mr. I Johane)

Annual Remuneration	338,150	-
	-	-

The acting chief financial officer is a secondee from the Provincial Treasury. The municipality does not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. He commenced on 01 February 2024.

Remuneration of the former Chief Financial Officer (Ms. A Thibedi)

Annual Remuneration	383,292	751,698
Subsistance and travelling	82,928	-
	-	-

The former acting chief financial officer was a secondee from the Provincial Treasury. The municipality does not bear the cost of her employment, except for compensating her on subsistance and travelling allowance. She commenced her services to the municipality on 02 March 2022 and were terminated on 31 December 2024.

Remuneration of the former Technical Manager (Mr. TM Bernard)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs (continued)

Annual Remuneration	804,887	1,073,183
Subsistance and travelling	30,548	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Remuneration of councillors

Councillors	4,114,665	3,844,902

Remuneration of the Mayor - Al Samson

Annual remuneration	806,066	806,066
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
	850,603	**850,595**

Remuneration of the Speaker - TK Ramakwa

Annual remuneration	644,853	644,853
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
Backpay	47,518	15,839
	736,908	**705,221**

Remuneration of the Chief Whip - VS Niewenhuizen

Annual remuneration	337,261	337,261
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
	381,798	**381,790**

Remuneration of councillor EG Bekker

Annual remuneration	261,114	255,091
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
Backpay	72,276	-
	377,927	**299,620**

Remuneration of councillor JMZ Posthumus

Annual remuneration	255,091	255,091
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
	299,628	**299,620**

Remuneration of councillor CS Papashe Hugo

Annual remuneration	327,367	309,298
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
Backpay	-	60,230
	371,904	**414,057**

Remuneration of councillor D Kelem

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Remuneration of councillors (continued)

Annual remuneration	315,321	255,091
Cell phone allowance	41,000	40,700
Contributions to Bargaining Council	137	129
	356,458	**295,920**

Remuneration of councillor W Fillies

Annual remuneration	255,091	255,091
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
	299,628	**299,620**

Remuneration of councillor NB Booysen

Annual remuneration	321,344	255,091
Cell phone allowance	44,400	44,400
Contributions to Bargaining Council	137	129
Backpay	72,276	-
	438,157	**299,620**

28. Depreciation and amortisation

Property, plant and equipment	16,156,970	19,885,768
Intangible assets	5,788	13,019
	16,162,758	**19,898,787**

29. Impairment loss

Impairments

Property, plant and equipment	9,502,088	39,698
Investment property	2,261,764	-
	11,763,852	**39,698**

30. Finance costs

Provisions	2,156,002	1,532,685
Trade and other payables	3,884,694	5,571,839
Finance leases	527,561	769,302
Employee benefits	207,000	209,000
Eskom debt relief	8,288,144	-
	15,063,401	**8,082,826**

31. Debt impairment

Contributions to debt impairment provision	(897,995)	16,337,611

32. Bulk purchases

Electricity - Eskom	14,252,584	13,290,794
Water	540,435	493,533
	14,793,019	**13,784,327**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. General expenses

Advertising	33,015	3,690
Auditors remuneration	5,622,357	4,853,446
Bank charges	81,879	118,066
Catering expense	7,226	4,780
Chemicals	69,963	101,112
Consulting and professional fees	3,503,304	10,351,791
Electricity	277,076	82,990
Entertainment	-	3,811
Fuel and oil	553,606	553,752
Hire	146,453	144,913
IT expenses	22,217	42,281
Landfill provision expense	984,616	1,625,085
Motor vehicle expenses	204,527	-
Postage and courier	6,467	6,122
Printing and stationery	251,497	72,721
Protective clothing	8,052	40,346
Repairs and maintenance	345,446	532,454
Subscriptions and membership fees	500,000	500,000
Telephone and fax	425,838	742,508
Travel - local	538,042	278,939
	13,581,581	**20,058,807**

34. Auditors' remuneration

Expenses	5,622,357	4,853,446

35. Cash generated from operations

Deficit	(44,574,257)	(17,169,141)
Adjustments for:		
Depreciation and amortisation	16,162,758	19,898,787
Gain on sale of assets and liabilities	71,630,095	2,236,403
Fair value adjustments	(11,272,020)	(600,077)
Impairment deficit	11,763,852	39,698
Debt impairment	(897,995)	16,337,611
Movements in retirement benefit assets and liabilities	267,000	(211,000)
Movements in provisions	3,140,618	3,157,770
Changes in working capital:		
Inventories	(7,970)	(13,475)
Receivables from exchange transactions	239	4,693
Consumer debtors	(3,793,897)	(12,175,224)
Other receivables from non-exchange transactions	(692,961)	(270,886)
Payables from exchange transactions	(10,065,284)	11,367,007
VAT	(4,515,798)	(3,637,666)
Unspent conditional grants and receipts	(549,993)	(1,536,781)
Consumer deposits	106,318	95,543
	26,700,705	**17,523,262**

36. Fair value adjustments

Investment property (Fair value model)	11,272,020	600,077

37. Financial instruments disclosure

Categories of financial instruments

Figures in Rand	2024	2023

37. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Statutory receivables from non-exchange transactions	2,799,551	2,799,551
Consumer receivables from exchange transactions	10,580,657	10,580,657
Cash and cash equivalents	830,545	830,545
	14,210,753	**14,210,753**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	106,965,964	106,965,964

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	239	239
Other receivables from non-exchange transactions	2,106,590	2,106,590
Consumer debtors	5,888,765	5,888,765
Cash and cash equivalents	894,993	894,993
	8,890,587	**8,890,587**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	213,130,276	-	213,130,276
Finance lease obligation	4,152,516	-	4,152,516
Unspent conditional grants and receipts	-	599,606	599,606
Consumer deposits	-	932,390	932,390
	217,282,792	**1,531,996**	**218,814,788**

38. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	33,923,001	20,232,123
Total capital commitments		
Already contracted for but not provided for	33,923,001	20,232,123

This commited expenditure relates to property, plant and equipment and will be financed through various grant funding.

Figures in Rand	2024	2023

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 6
Interest in related parties	Municipal services rendered to Related Parties are charged at approved tariffs that were advertised to the public. This information is under the heading Councillors
Related party relationship	The municipality's senior officials made the following declarations relating to interest, relationships, directorship and securities held with listed and nonlisted companies.
Councillor AI Samson (Mayor)	Business interest, shares and / or directorships held in Sharpville Enterprise
Councillor TK Ramakwa (Speaker)	No business interest, shares and / or directorships held
Councillor VS Niewenhuisen (Chief Whip)	No business interest, shares and / or directorships held
Councillor NB Booysen	Business interest, shares and / or directorships held in Tinky and Babbies Foundation
Councillor JMZ Posthumus	No business interest, shares and / or directorships held
Councillor CS Papashe-Hugo	No business interest, shares and / or directorships held
Councillor D Kelem	No business interest, shares and / or directorships held
Councillor W Fillies	No business interest, shares and / or directorships held
Councillor EG Bekkers	No business interest, shares and / or directorships held
Members of key management	Acting Municipal Manager - Mr. TM Barnett (Business interest, shares and / or directorships held in Toral industries; and Sophos group) Former Acting Municipal Manager - Mr. JJ Fortuin (No business interest, shares and / or directorships held) Acting Chief Financial Officer - Mr. I Johanne (Business interest, shares and / or directorships held in Letlhakane Consulting; I Johane & Son; and Barafi Mining) Former Chief Financial Officer - Ms. A Thibedi (No business interest, shares and / or directorships held)

Related party balances

Loan accounts - Owing (to) by related parties		
Councillor AI Samson (Mayor)	50,827	50,784
Councillor TK Ramakwa (Speaker)	31,473	74,259
Councillor VS Niewenhuisen (Chief Whip)	9,584	8,366
Councillor JMZ Posthumus	(17,712)	51,105
Councillor CS Papashe-Hugo	669	624
Councillor D Kelem	36,484	62,672
Councillor N Booysen	17,058	27,944
Councillor EG Bekkers	4,764	-

The above receivables/payables are at arms length, on comsumer services accounts with the municipality. There are no guarantees on the balances.

Provision for doubtful debts related to outstanding balances with related parties		
Councillor AI Samson (Mayor)	45,745	50,784
Councillor TK Ramakwa (Speaker)	21,846	-

Figures in Rand	2024	2023

39. Related parties (continued)

Councillor VS Niewenhuisen (Chief Whip)	7,995	-
Councillor JMZ Posthumus	-	48,822
Councillor D Kelem	31,390	62,276
Councillor N Booysen	15,352	25,704
Councillor EG Bekkers	4,288	-

Related party transactions

Reenue derived from Service charges levied to related parties

Councillor AI Samson (Mayor)	376	-
Councillor TK Ramakwa (Speaker)	1,187	-
Councillor VS Niewenhuisen (Chief Whip)	505	-
Councillor JMZ Posthumus	659	-
Councillor CS Papashe-Hugo	38	-
Councillor D Kelem	553	-
Councillor N Booysen	553	-
Councillor EG Bekkers	311	-

Remuneration of management

Management class: Councillors

Refer to note 27 "Remuneration of councillors"

Management class: Executive management

*Refer to note 26 "Employee related costs"

40. 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:

40.1 Prior period error - Understatement of Service in Kind

In the prior year financial statements the service in kind value by the Northern Cape Provincial Treasury and the Department of Corporate Governance, Human Settlements and Traditional Affairs was not disclosed in the financial statemet, whereby secondees were deployed in the service of the municipality at a zero cost to the municipality. 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 performance		
Increase in Employee related costs	-	2,898,064
Increase in revenue from non-exchange transactions - Public contributions and donations	-	(2,898,064)
	-	**-**

40.2 Prior period error - Misstatement in Property, plant and equipment

During the year under review, it was noted during the compelation of the fixed asset registers that balances relating to certain classes of peoperty, plant and equipment as disclosed in the previous financial year were incorrect. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2024	2023

40. Prior period errors (continued)

Statement of financial position		
Increase in Property, plant and equipment - Land (Cost)	-	8,099,068
Increase in Property, plant and equipment - Buildings (Cost)	-	21,928
Increase in Property, plant and equipment - Buildings (Accumulated depreciation and accumulated impairment)	-	(12,599)
Decrease in Property, plant and equipment - Infrastructure (Cost)	-	(12,398,637)
Increase in Property, plant and equipment - Infrastructure (Accumulated depreciation and accumulated impairment)	-	(7,598,012)
Increase in Property, plant and equipment - Other property, plant and equipment (Cost)	-	24,205
Increase in Property, plant and equipment - Other property, plant and equipment (Accumulated depreciation and accumulated impairment)	-	(18,819)
Decrease in Accumulated surplus	-	10,914,930
Decrease in Payables from exchange transactions - Retentions payable	-	5,358,259
Increase in Payables from exchange transactions - Suspense accounts	-	(4,368,132)
Increase in Decrease in Accumulated surplus	-	7,649,389
Increase in Payables from exchange transactions - Trade payables	-	(8,639,516)
	-	**(967,936)**

Statement of financial performance		
Increase in Depreciation and amortization	-	967,936

40.3 Prior period error - Misstatement in Investment property

During the year under review, it was noted during the compelation of the fixed asset registers that the balances of investment property as disclosed in the previous financial year were incorrect. 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	-	1,391,881
Increase in Accumulated surplus	-	(1,467,675)
	-	**(75,794)**

Statement of financial performance		
Decrease in Fair value adjustments	-	15,719
Increase in Loss on disposal of assets and liabilities	-	60,075
	-	**75,794**

40.4 Prior period error - Misstatement in Financial Instruments disclosure

Error 1

In the prior year, the disclosure relating to financial liabilities on finance lease obligations, unspent conditional grants and receipts and consumer deposits, was ommited in the fiinancial instruments disclosure note.

The effect of the correction of the error(s) is summarised below:

Financial liabilities		
Increase in Finance lease obligations	-	4,152,516
Increase in Unspent conditional grants and receipts	-	599,606
Increase in Consumer deposits	-	932,390
	-	**5,684,512**

40.5 Prior period error - Misstatement in Risk management disclosure note

In the prior year, the disclosure of maturity analysis for financial liabilities was ommited in the liquidity risk disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Prior period errors (continued)

The effect of the correction of the error(s) is summarised below:

Maturity analysis for financial liabilities	**Less than 12 months**	**Over 12 Months**
Increase in Finance lease obligation	2,750,483	1,402,033
Increase in Payables from exchange transactions	214,217,151	-
Increase in Consumer deposits	932,390	-
Unspent conditional grants and receipts	599,606	-
	218,499,630	**1,402,033**

41. Comparative figures

Certain comparative figures have been reclassified, since it was identified that certain balance and transactions totals were misclassified in the prior year financial statements.

In the prior year, the short-term portion of provions was included in the non-current provisions balance. This has since been corrected and the reclasification done in the financial statements.

In the prior year, contributions to bargaining council in the employee related cost disclosure note were disclosed as Other payroll levies. This has since been corrected and the reclasification done in the financial statements.

The effects of the reclassification are as follows:

Statement of financial position		
Increase in Current Liabilities - Provisions	-	21,943,341
Decrease in Non-Current Liabilities - Provisions	-	(21,943,341)
Increase in General expenses - Advertising	-	1,100
Decrease in Revenue from exchange transaction - Other income	-	(1,100)
	-	**-**

Statement of financial performance		
Decrease in Employee related costs - Other payroll levies	-	(10,135)
Increase in Employee related costs - Contributions to bargaining council	-	10,135
	-	**-**

42. Risk management

Financial risk management

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

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

42. Risk management (continued)

Liquidity risk

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

The table below analyses the municipality's 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.

	2024		2023	
Maturity analysis for financial liabilities	Less than 12 months	Over 12 Months	Less than 12 months	Over 12 Months
Finance lease obligation	1,402,033	-	2,750,483	1,402,033
Payables from exchange transactions	214,564,391	-	210,439,916	-
Consumer deposits	1,038,708	-	932,390	-
Unspent conditional grants and receipts	-	-	599,606	-
	217,005,132	**-**	**214,722,395**	**1,402,033**

Credit risk

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

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

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

Financial instrument	2024	2023
Statutory receivables from non-exchange transactions	2,799,551	2,106,590
Consumer receivables from exchange transactions	10,580,657	5,888,765
Cash and cash equivalents	830,545	894,993

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

43. Going concern

We draw attention to the fact that at 30 June, 2024, the municipality had an accumulated surplus (deficit) of 297,293,622 and that the municipality's total assets exceed its liabilities by 297,293,622 and the current liabilities exceeds its current assets by R128,854,168.

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

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

Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

43. Going concern (continued)

The municipality's current liabilities exceed its current assets by R128,854,168 (R224,052,556 in 2023) which indicates a current asset ratio is below the required norm of between 1.5 2.

The municipality incurred a deficit of R36,286,113 during the year (a deficit of R17,169,141 in 2023).

The creditors payment days of the municipality is currently 1,085 days (1,659 days in 2023).

83% (94% in 2023) of the municipality's gross Consumer receivables from exchange transactions and 85% of gross statutory receivables from non-exchange transactions' balance has been impaired (90% in 2023).

Outstanding amounts owed to Eskom at year end is currently R127,464,741 (R113,640,685 in 2023) and to DWA R8,682,329 (R10,514,913 in 2023).

Unspent conditional grants balance of R49,613 (R599,606 in 2023) currently are cash backed by the available Cash and cash equivalents balance of R830,545 (R894,993 in 2023). Irregular expenditure in the current year decreased by R11,361,484.

The municipality does not adequate cash and investments to cover all commitments.

Cash coverage ratio below one 1 was realised. A municipality's ability to fulfil its financial obligations or provide basic services is compromised if it has a cash coverage ratio below one month.

Inadequate provision is being made for repairs and maintenance which could lead to early impairment of an asset.

Electricity distribution loss is above 10%. This indicates inaccurate metering or wastage.

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.

44. Events after the reporting date

Non-adjusting events after the reporting date:

Judgement of the High Court on a matter between Afriforum v Nersa High Court, on 8 July 2024

Municipalities are responsible for calculating the tariffs consumers pay for electricity and are required in terms of s.27(h) off the Electricity Regulation Act no. 4 of 2006 (ERA) to set such tariffs in accordance with the Electricity Pricing Policy (Policy). The National Energy Regulator of South Africa (Nersa), as custodian and enforcer of the regulatory framework, must consider and approve the tariffs calculated by municipalities

The Policy mandates that the electricity tariffs, and therefore both the tariff applications by municipalities and the approval by Nersa, must be based on the cost of supply of electricity and requires municipalities to conduct a cost of supply study when calculating electricity tariffs. This is re-enforced by s.74(2)(d) of the Municipal Systems Act no. 32 of 2000, which requires that municipal tariffs must reflect the costs reasonably associated with rendering the service. In addition, Nersa approved a framework that mandates municipalities to conduct a cost of supply study.

Despite these clear, consistent and legal requirements that Nersa's approval of electricity tariff applications must be based on the cost of supply of electricity, Nersa decided in January 2024 to no longer require tariff increase applications for the 2024-25 financial year to be accompanied by a cost of supply study. Instead, Nersa introduced a methodology that tested tariff applications against certain assumptions (assumption method). In terms of this method, Nersa would approve the 2024-25 tariffs if they fell within certain assumptions. If they fell outside these assumptions, they would not be approved.

Sixty-six municipalities (compliant municipalities) complied with the obligation to conduct a cost of supply study in calculating and submitting their 2024-25 tariff applications to Nersa. The remainder (non-compliant municipalities) did not.

Subsequent to the introduction of the assumption method, Afriforum, in the interest of consumers, lodged legal proceedings against Nersa (and others), contending that the assumption method employed by Nersa to approve the 2024-25 tariffs is not premised on the cost of supply of electricity and is therefore unlawful.

The matter was heard by the Gauteng High Court and on 8 July 2024 the court handed down its judgement and ordered that:

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Events after the reporting date (continued)

1. Nersa's assumption method for approval of municipal electricity tariffs is unlawful, invalid and of no force and effect.

2. For the 66 compliant municipalities, Nersa must consider and approve the 2024-25 electricity tariff applications if based on the municipality's cost of supply study.

3. For Renosterberg Local municipality and other non-compliant municipalities:
- Nersa is prohibited from considering and approving electricity tariffs for the 2024-25 and subsequent financial years where the municipality's application for the approval of electricity tariffs is not based on a cost of supply study.
- Municipalities are not entitled to levy electricity tariffs upon consumers until Nersa has approved an application supported by a cost of supply study. Until such time as Nersa has approved an application supported by a cost of supply study, the municipality must continue levying electricity on the same tariff applicable during the 2023-24 financial year.
- Municipalities are afforded 60 days from the date of the court order (i.e. until 6 September 2024) to supplement electricity tariff applications with cost of supply studies. Nersa must consider and approve such electricity tariff applications if they are legally compliant and based on the municipality's cost of supply study.

Renosterberg local municipality obtained an aproval to implement the increased electricity tarrifs on 28 June 2024 from Nersa. These were implemented effective from 01 July 2024 on pre-paid electricity only. The municipality did not apply the tarrif increase on convensional metters billing, which means that customers on convertional electricity are being billed on 2022/23 tarrifs while customers buying pre-paid electricity are being charged on 2023/24 tarrifs.

The above matter does not have an impact in the annaul financial statements for the year ended 30 June 2024, as it relates to electriicity price increases for the proceeding financial year, of which impact will be reported in the annaul financial statements for the year ending 30 June 2025.

45. Unauthorised expenditure

Opening balance as previously reported	270,472,984	241,664,724
Add: Unauthorised expenditure - current	-	28,808,260
Closing balance	**270,472,984**	**270,472,984**

46. Fruitless and wasteful expenditure

Opening balance as previously reported	9,819,695	4,140,695
Add: Fruitless and wasteful expenditure identified - current	4,991,751	5,679,000
Closing balance	**14,811,446**	**9,819,695**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue account	Management is initiating an investigation into the nature and completeness of the fruitless and wasteful expenditure as disclosed and as required in the MFMA	4,460,187	5,571,839
SARS interests and penalties	Management is initiating an investigation into the nature and completeness of the fruitless and wasteful expenditure as disclosed and as required in the MFMA	531,564	107,161
		4,991,751	**5,679,000**

The opening balances were restated, since in the previous year the registers were not maintained, upon council aproval.

47. Irregular expenditure

Opening balance as previously reported	18,017,326	1,552,900
Add: Irregular expenditure - current	5,102,942	16,464,426
Closing balance	**23,120,268**	**18,017,326**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	Management is initiating an investigation into the nature and completeness of irregular expenditure as disclosed and as required in the MFMA	5,102,942	16,464,426

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 136,455,384 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The opening balances were restated, since in the previous year the registers were not maintained, upon council aproval.

48. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for deviation	Less than R30 000	Between R30 001 and R100 000	Between R100 001 and R2 000 000
Sole Provider	71,268	547,078	-
Emergency	127,596	288,390	152,660
Other	43,164	209,201	-
	242,028	**1,044,669**	**152,660**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	5,325,609	5,127,904
Current year subscription / fee	500,000	500,000
Task Job Evaluation	8,250	7,705
Amount paid - current year	(56,806)	(100,000)
Amount paid - previous years	-	(210,000)
	5,777,053	**5,325,609**

Disctribution losses

Electricity distribution losses (KWh)		
KWh purchased	5,473,498	5,721,601
KWh sold	(374,338)	(1,135,915)
KWh losses	**5,099,160**	**4,585,686**
% losses	93.16	80.00
Average cost per KWh unit	2.51	2.30
Loss in Rand value	12,790,443	10,551,247
Water distribution losses (Mega litres)		
Mega litres purchased	2,153,282	754,183
Mega litres sold	(1,881,029)	(478,455)
Mega litres losses	**272,253**	**275,728**
% losses	12.64	37.00
Average cost per unit	0.251	0.08
Loss in Rand value	68,375	21,036

Audit fees

Opening balance	14,955,077	14,269,947
Current year subscription / fee	8,700,778	1,085,130
Amount paid - current year	(1,500,000)	(400,000)
Credit notes	(7,035,310)	-
	15,120,545	**14,955,077**

PAYE and UIF

Opening balance	8,085,341	4,581,545
Current year subscription / fee	4,162,600	3,503,796
Amount paid - current year	(12,247,941)	-
	-	**8,085,341**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

Opening balance	23,539,862	19,198,321
Current year subscription / fee	4,777,652	4,341,541
	28,317,514	**23,539,862**

VAT

VAT receivable	11,159,233	6,643,437

VAT output payables and VAT input receivables are shown in note 6.

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:

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two functional areas: Technical Services (the service delivery function) and Corporate Services / Budget & Treasury (the support function). The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in the Northern Cape Province in three towns. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the towns were sufficiently similar to warrant aggregation.

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
Segment 1 - Technical Services	Provision of municipal basic services
Segment 2 - Corporate Services and Budget & Treasury	Administrative, ad-hoc and management services

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Segment 1 Technical Services	Segment 2 Corporate Services / Budget & Treasury	Total
Revenue			
Revenue from non-exchange transactions	32,670,051	54,229,344	86,899,395
Revenue from exchange transactions	11,186,782	1,315,425	12,502,207
Fair value adjustments	-	11,272,020	11,272,020
Actuarial gains	-	103,000	103,000
Total segment revenue	**43,856,833**	**66,919,789**	**110,776,622**
Entity's revenue			**110,776,622**
Expenditure			
Employee related costs	13,234,094	16,941,504	30,175,598
Remuneration of councillors	-	4,114,665	4,114,665
Depreciation and amortisation	11,827,830	4,334,928	16,162,758
Finance costs	2,156,002	4,619,255	6,775,257
Lease rentals on operating lease	-	263,713	263,713
Debt Impairment	2,785,175	(3,683,170)	(897,995)
Bulk purchases	14,793,019	-	14,793,019
General Expenses	1,054,579	12,527,002	13,581,581
Loss on disposal of assets and liabilities	69,743,851	1,886,244	71,630,095
Impairment loss	3,854,889	7,908,963	11,763,852
Total segment expenditure	**119,449,439**	**48,913,104**	**168,362,543**
Total segmental surplus/(deficit)	**(75,592,606)**	**18,006,685**	**(57,585,921)**

50. Segment information (continued)

	Segment 1 Technical Services	Segment 2 Corporate Services / Budget & Treasury	Total
Assets			
Current Assets	10,584,084	14,810,388	25,394,472
Non-current Assets	299,819,792	217,767,891	517,587,683
Total segment assets	**310,403,876**	**232,578,279**	**542,982,155**
Total assets as per Statement of financial Position			**542,982,155**
Liabilities			
Current Liabilities	182,279,606	61,482,387	243,761,993
Non-current Liabilities	13,075,205	1,863,000	14,938,205
Total segment liabilities	**195,354,811**	**63,345,387**	**258,700,198**
Total liabilities as per Statement of financial Position			**258,700,198**

2023

	Segment 1 TechnicalS ervices	Segment 2 Corporate Services /Budget & Treasury	Total
Revenue			
Revenue from non-exchange transactions	26,789,584	50,793,404	77,582,988
Revenue from exchange transactions	12,326,678	1,109,780	13,436,458
Fair value adjustments	-	600,077	600,077
Actuarial gains	-	554,462	554,462
Total segment revenue	**39,116,262**	**53,057,723**	**92,173,985**

50. Segment information (continued)

Entity's revenue			**92,173,985**
Expenditure			
Employee related costs	13,809,522	11,128,172	24,937,694
Remuneration of councillors	-	3,844,902	3,844,902
Depreciation and amortisation	14,091,676	5,807,111	19,898,787
Finance costs	1,532,685	6,550,141	8,082,826
Lease rentals on operating lease	-	122,071	122,071
Debt Impairment	2,442,994	13,894,617	16,337,611
Bulk purchases	13,784,327	-	13,784,327
General Expenses	1,726,197	18,332,610	20,058,807
Loss on disposal of assets and liabilities	2,176,328	60,075	2,236,403
Impairment loss	12,270	27,428	39,698
Total segment expenditure	**49,575,999**	**59,767,127**	**109,343,126**
Total segmental surplus/(deficit)	**(10,459,737)**	**(6,709,404)**	**(17,169,141)**
Assets			
Current Assets	5,892,077	9,658,463	15,550,540
Non-current Assets	294,449,045	289,932,828	584,381,873
Total segment assets	**300,341,122**	**299,591,291**	**599,932,413**
Total assets as per Statement of financial Position			**599,932,413**
Liabilities			
Current Liabilities	161,303,612	78,299,484	239,603,096
Non-current Liabilities	15,024,403	3,437,033	18,461,436
Total segment liabilities	**176,328,015**	**81,736,517**	**258,064,532**
Total liabilities as per Statement of financial Position			**258,064,532**

Measurement of segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

51. Other financial liabilities

	2024	2023
At amortised cost		
Eskom Payable Due to Eskom Debt Relief, monies owing to Eskom are to be paid over a period of 3 years.	97,680,053	-

The municipality entered into a debt relief agreement, effective from 01 August 2023, for the Eskom debt. The greement sets conditions which need to be met by the municipality for the agreement to be effective until the end.

As part of the agreement:

a) A total debt with a value of R108 141 318.64 owed by Renosterberg will be written-off over 3 years if all conditions are met and permanent interest suppression on the said amount there-off as at the end of March 2023.

b) The interest to be reversed on “new” arrears as from 1 April 2023 until 07 August 2023, being the effective date, amounts to R2 379 343.85

	2024	2023
Non-current liabilities		
At amortised cost	68,213,544	-
Current liabilities		
At amortised cost	29,466,509	-