

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2024

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2024**

EXECUTIVE MAYOR	Alderman KJB Sonyoni		
SPEAKER	Councillor NN Maputle		
GRADING OF THE LOCAL AUTHORITY:	Grade 5	NC091	
AUDITORS:	Auditor-General of South Africa Block 1 Montrio Corporate Park 10 Oliver Road Monument Heights Kimberley 8301 Telephone 053-8311016 Fax 053-8326277		
			Private Bag X5013 Kimberley 8300
BANKERS:	Standard Bank C/O Bultfontein and Lennox Street Kimberley 8301 Telephone 053-8078215 Fax 053-8078173		
			P.O. Box 626 Kimberley 8300
REGISTERED OFFICE:	Civic Centre Sol Plaatje Drive Kimberley 8301 Telephone 053-8306911 Fax 053-8331005		
			Private Bag X5030 Kimberley 8300
MUNICIPAL MANAGER:	Mr BS Matlala	B Tech Public Management, Advance Diploma Labour Law, National Diploma Municipal Admin, Certificate Municipal Finance Management	
CHIEF FINANCIAL OFFICER: (Acting)	Mr LK Samolapo	B.Com Accounting, MBA	
MEMBERS OF COUNCIL:	Councillor Ward 1 Loff J 12 Ruiter I 23 Louw PJF 2 Brown JE 13 Molatudi MK 24 Whittaker CP 3 Korkie DD 14 Joseph GH 25 Fourie OC 4 Bopape TH 15 Nkukane TE 26 Mokwang C 5 Nolitye MR 16 Rammutle CB 27 Wagter IB 6 Riet NR 17 Maputle NN 28 White MF 7 Diphahe JG 18 Mofokeng GP 29 Aaron MC 8 Sonyoni KJB 19 Lekoma IA 30 Kok R 9 Dioka DI 20 Moses BB 31 Lephoi C 10 Molale KM 21 Greeff JG 32 Banda F 11 Kgadiete KV 22 Pietersen J 33 Tau YK Councillor Proportional 1 Adams E 12 Kock KC 23 Niemann E 2 Badenhorst EL 13 Koos LJ 24 Pearce C 3 Beylefeld MJ 14 Landella ST 25 Phiri KC 4 Bosman A 15 Loff RR 26 Pienaar D 5 Bosman MS 16 Louw M 27 Pieterse LHS 6 Boqo AN 17 Matika ET 28 Reichert F 7 Engelbrecht ST 18 Mesha P 29 Smit J 8 Erasmus W 19 Metsimetsi BS 30 Van der Ross F 9 Esau AJ 20 Mocwana PM 31 Van der Ross R 10 Griesel JD 21 Mouers PM 32 Wapad R 11 Johnson E 22 Nathane PE		

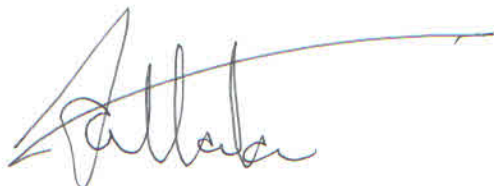
SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2024

Declaration of the Accounting Officer

I am accountable for the preparation of these annual financial statements, which are set out on pages 2 to 92, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I acknowledge full responsibility for the system of internal financial control and the duty to maintain adequate accounting records as required by MFMA 56 of 2003.



BS Matlala
Municipal Manager
31 August 2024

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

Accounting Officer's Report

1. Review of activities

The municipality trades in water, electricity, refuse removal, sanitation and other minor services. Rates and taxes are levied on all property in accordance with the prescriptions of Municipal Property Rates Act. The municipality has approved by-laws for service provision of water and electricity. The net surplus of the municipality is R286 705 114,02 (2024) compared to the previous year restated deficit of R59 506 345,86 (2023).

2. Going concern principle

The Financial Statements were prepared in accordance with the policies applicable to going concern. This basis presumes that funds will be available to run the operations, provide services to the people and continue with the investment plan, and that the realization of assets and settlement of liabilities and contingent liabilities will take place in the ordinary course of business.

3. Events after balance sheet

There are no known events that have taken place or will take place after balance sheet that have or will have significant impact on the financial statements to an extent that they will not fairly present the financial position, performance and cash flow of the municipality as reported.

4. Corporate governance

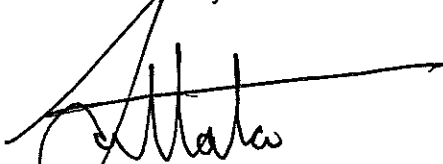
The municipality is led by the Executive Mayor as the political head of the institution, and administratively, the Accounting Officer is the head of the municipality. A system of delegation exists as well as sufficient internal controls are in place, giving management certainty and confidence in the transactional environment as well as safety, integrity and completeness of financial information.

5. Performance Management Framework

The municipality has adopted a performance management framework.

6. Municipal Entities

The municipality has no entities that reports to it.



BS Matlala
Municipal Manager
30 November 2024

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2024

	Note	2024 R	Restated 2023 R	2024 Budget R
ASSETS				
Current Assets		2 483 250 977	2 116 570 012	3 378 795 949
Inventory	2	112 013 463	93 358 012	27 460 551
Trade Receivables from Exchange Transactions	4	1 737 724 634	1 414 956 933	812 575 697
Statutory Receivables from Non-Exchange Transactions	5	504 923 519	453 892 552	2 173 121 868
Trade Receivables from Non-Exchange Transactions	5	14 637 850	16 742 744	
Cash and Cash Equivalents	6	113 951 511	106 412 540	73 214 194
Statutory Receivable from Exchange Transactions	8	-	31 207 231	292 423 639
Non-Current Assets		2 393 630 638	2 349 165 579	2 433 340 458
Property, Plant and Equipment	9	2 100 105 544	2 023 119 734	2 141 959 877
Heritage Assets	9	12 070 884	12 070 884	12 070 884
Intangible Assets	10	46 592 291	17 713 591	22 342 273
Investment Property	11	201 266 437	201 692 055	221 251 077
Trade Receivables from Exchange Transactions	4	24 190 612	67 482 432	35 716 347
Statutory Receivables from Non-Exchange Transactions	5	9 404 870	27 086 883	
Total Assets		4 876 881 615	4 465 735 591	5 812 136 407
LIABILITIES				
Current Liabilities		800 735 762	1 378 332 303	1 090 958 774
Consumer Deposits	13	48 325 086	45 470 920	49 390 629
Employee Benefits	14	86 374 371	93 786 790	94 029 066
Payables from Exchange Transactions	15	562 848 189	1 218 311 240	947 539 079
Unspent Conditional Grants and Receipts	16	4 057 327	7 233 366	
VAT Payable from Exchange Transactions	17	78 499 978	-	
Current Portion of Long-term Liabilities	18	20 630 811	13 529 987	
Non-Current Liabilities		1 093 312 985	391 275 535	443 823 568
Long-term Liabilities	18	801 553 626	146 333 418	158 165 884
Employee Benefit Liabilities	19	290 713 766	244 235 000	285 657 684
Non-current Provisions	20	1 045 593	707 117	
Total Liabilities		1 894 048 748	1 769 607 838	1 534 782 342
Total Assets and Liabilities		2 982 832 867	2 696 127 753	4 277 354 065
NET ASSETS		2 982 832 867	2 696 127 753	4 277 354 065
Accumulated Surplus	21	2 982 832 867	2 696 127 753	4 277 354 065
Total Net Assets		2 982 832 867	2 696 127 753	4 277 354 065

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2024

Budget 2023 R	Budget 2024 R		Note	Actual 2024 R	Restated Actual 2023 R
REVENUE					
Revenue from Non-exchange Transactions					
610 074 250	660 893 479	Property Rates	22	656 442 329	610 991 037
35 730 000	37 910 000	Fines and Penalties		56 766 715	59 461 622
6 850 000	7 350 000	Licences and Permits		7 169 376	9 020 708
-	-	Interest Earned - Outstanding Statutory receivables	23	96 761 065	82 989 796
-	44 680 000	Availability service charges non-exchange transactions	24	49 298 636	4 036 985
399 218 919	448 952 000	Government Grants and Subsidies Received	26	445 540 560	372 805 552
-	-	Public Contributions and Donations	27	215 206 290	3 387 299
Revenue from Exchange Transactions					
1 368 151 322	1 450 585 535	Service Charges	24	1 331 093 241	1 182 666 738
25 896 000	28 130 000	Rental of Facilities and Equipment	25	28 850 882	26 000 384
6 000 000	9 500 000	Interest Earned - External Investments	23	16 116 393	8 549 555
156 500 000	250 400 000	Interest Earned - Outstanding Trade receivables	23	161 280 363	116 992 393
20 744 800	20 513 780	Other Income	28	18 302 339	19 976 247
-	1 100 000,00	Gains on sale of assets	2	16 048 804	5 890 915
2 629 165 291	2 960 014 794	Total Revenue		3 098 876 992	2 502 769 233
EXPENDITURE					
849 970 016	910 365 875	Employee Related Costs	29	910 544 126	786 665 044
34 547 434	35 558 951	Remuneration of Councillors	30	33 868 942	33 231 386
81 050 000	86 650 000	Depreciation and Amortisation	31	74 328 772	71 830 180
397 000 000	317 500 000	Debt Impairment	32	333 145 727	378 747 381
117 960 100	20 654 706	Finance Costs	33	122 651 081	113 954 866
682 000 000	790 100 000	Bulk Purchases Electricity	34	787 457 231	672 362 000
54 181 000	56 913 000	Contracted Services	35	45 090 000	28 285 436
4 460 000	3 560 000	Grants and Subsidies Paid	36	2 526 435	2 598 918
401 396 037	495 608 365	General Expenses	37	412 247 142	395 780 628
75 640 000	66 000 000	Loss/Write down of Inventory	2	85 525 994	78 068 584
-	-	Foreign Exchange Loss		2 674 066	751 155
-	-	Impairment of Property, Plant and Equipment	32	2 112 363	-
2 698 204 587	2 782 910 897	Total Expenditure		2 812 171 878	2 562 275 578
(69 039 296)	177 103 897	SURPLUS/(DEFICIT) FOR THE YEAR		286 705 114	(59 506 346)
Refer to Note 61.1 for explanation of budget variances					

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2024

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R		R	R	R
2023							
Balance at 30 June 2022	39	62 705 000	15 445 250	11 976 657	2 665 829 555	2 755 956 462	2 755 956 462
Correction of Error					(322 363)	(322 363)	(322 363)
Restated Balance		62 705 000	15 445 250	11 976 657	2 665 507 192	2 755 634 099	2 755 634 099
Surplus for the year					(59 506 346)	(59 506 346)	(59 506 346)
Transfer to Capital Replacement Reserve		7 064 299			(7 064 299)	-	-
Property, Plant and Equipment purchased		(30 400 701)			30 400 701	-	-
Contribution to Insurance Reserve			(1 761 283)	(963 498)	2 724 782	-	-
Balance at 30 June 2023		39 368 598	13 683 967	11 013 159	2 632 062 030	2 696 127 753	2 696 127 753
2024							
Restated Balance		39 368 598	13 683 967	11 013 159	2 632 062 029,91	2 696 127 753	2 696 127 753
Surplus/(Deficit) for the year					286 705 114	286 705 114	286 705 114
Transfer to Capital Replacement Reserve		40 867 690			(40 867 690)	-	-
Property, Plant and Equipment purchased		(28 736 288)			28 736 288	-	-
Contribution from Insurance Reserve			(1 533 110)	140 077	1 393 033	-	-
Balance at 30 June 2024		51 500 000	12 150 857	11 153 236	2 908 028 774	2 982 832 867	2 982 832 867

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2024

	Note	Actual 2024 R	Actual 2023 R	Budget 2024 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants received	41	442 364 521	372 805 552	448 952 000
Sale of goods and services	41	1 852 373 002	1 516 681 816	1 765 194 983
Employee Costs	29	(851 128 849)	(781 912 587)	(945 924 826)
Supplier and other payments	41	(1 287 492 885)	(984 897 418)	(1 349 624 913)
Cash generated from Operations	41	156 115 788	122 677 363	(81 402 756)
Interest received	23	274 157 821	208 531 744	259 900 000
(Increase) / decrease in Interest Receivables	41	(110 505 641)	(128 534 307)	
Interest paid	33	(122 651 081)	(113 954 866)	(20 054 706)
NET CASH FLOWS FROM OPERATING ACTIVITIES		197 116 888	88 719 934	158 442 538
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(149 263 046)	(125 650 316)	(216 739 000)
Purchase of Intangible Assets	10	(19 919 168)	-	
Proceeds on Disposal of Assets	2	14 222 508		
Proceeds on Disposal of Investment Property	11	2 050 320	-	1 100 000
Donation of Property, Plant and Equipment	27		3 387 299	
Increase / (decrease) in Capital Payables	41	(22 925 285)	(35 483 045)	
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(175 834 671)	(157 746 063)	(215 639 000)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Finance leases/Finance lease payments		(433 788)	(3 599 220)	
Loans repaid		(13 309 458)	(12 087 687)	(13 351 420)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(13 743 246)	(15 686 907)	(13 351 420)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6	7 538 972	(84 713 036)	(70 547 882)
Cash and Cash Equivalents at the beginning of the year		106 412 540	191 125 575	198 307 076
Cash and Cash Equivalents at the end of the year		113 951 511	106 412 540	127 759 194

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2023 and 30 June 2024 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs is based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 2 in the annual financial statements.

1. 2. 3 Budget information

Variations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements. Budget and actual figures are presented on the the accrual basis of accounting.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy", "Heritage assets", "Investment Property" on "Intangible assets - subsequent measurement, amortisation and impairment "and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets

The accounting policy on Impairment of financial assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 2. 8 Useful lives of property, plant and equipment, investment property and intangible assets

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis. Sol Plaatje Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

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

2. STATUTORY FUNDS AND RESERVES

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

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

2. STATUTORY FUNDS AND RESERVES (Continued)

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current 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 year.

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
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

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

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

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. 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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Years
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed, if there is an indication that a change may have occurred in the estimated useful life or residual value of the asset. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. 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 charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Work in progress (WIP)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. Significantly delayed projects and projects that have ceased entirely are disclosed separately in the notes to the financial statements. Management will review the facts and circumstances around each individual project before classifying it as significantly delayed.

3. 5 Leased Assets

Assets capitalised under finance leases are amortised over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives. When the asset does not meet the recognition criteria because it cannot be reliably measured, relevant and useful information about it is disclosed in the notes (note 9.2) to the financial statements.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

An item of Property, Plant and Equipment of the municipality is 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 the 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 or the assets are available-for-sale. These assets are not accounted for as non-current assets held 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 municipality.

Gains from the sale of assets are reported separately on the face of the Statements of Financial Performance. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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4. INTANGIBLE ASSETS

4. 1 Initial Recognition

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset 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 assets surrendered.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

4. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. 4 Depreciation and impairment

Investment properties are annually tested for impairment, including investment properties not yet available for use. Where items of investment property have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and depreciation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis over the assets' useful lives. The residual value of assets with finite useful lives is zero, unless an active market exists. Where investment properties are deemed to have an indefinite useful life, such assets are not depreciated (e.g. land).

6. FINANCIAL INSTRUMENTS

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

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 are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets are amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

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6. FINANCIAL INSTRUMENTS (continued)

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active

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

The municipality has the following types of financial assets on the face of the State of Financial Position:

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Statutory receivables from non-exchange transaction	Financial asset measured at amortised cost
Statutory receivables from exchange transactions	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality has the following types of financial liabilities on the face of the State of Financial Position:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

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FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities(continued)

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

6. 4 Impairment of financial assets and derecognition of financial assets and liabilities

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

The municipality shall derecognise a financial asset only when:

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

In this case, the municipality shall:

- (i) derecognise the asset; and
- (ii) recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

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

6. 5 Consumer Deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit in terms of the budget policy as set and reviewed by the municipality on an annual basis. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

7. 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.

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7. 1 Finance leases - Municipality as 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. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as 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.

7. 3 Operating leases - Municipality as 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.

8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements. 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. FIFO method is used in the costing system of inventory.

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

The cost of inventory 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 are assigned using specific identification of the individual costs. The cost of inventories is assigned using the first-in-first-out cost formula. 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.

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9. Municipal Standard Chart of Accounts (mSCOA)

Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017. The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which: a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere. The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10 1. Revenue from Exchange Transactions

10 1. 1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.1 2 Prepaid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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10. REVENUE RECOGNITION (continued)

10.1.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment. Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors

10.1.4 Tariff charges

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

10.1.5 Income from Agency Services

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

10.1.6 Sale of goods (including houses)

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.1.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2. Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

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10. REVENUE RECOGNITION (continued)

10. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Revenue arising from taxation transactions will be measured at their fair value as at the date of the transaction. Rates and Taxes transactions are measured at the best estimate of the inflow of resources to the entity. The estimation will take into account both the probability that the resources arising from taxation transactions will flow to the municipality and the fair value of the transaction. Receivables at year end with regards to rates and taxes are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

10. 2. 2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on a accrual basis based on IGRAP 1. Fines constitute both spot fines and summonses for which revenue is recognised in accordance with the requirements of IGRAP1. 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 breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine. Receivables at year end with regards to traffic fines are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10. 2. 3 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition/donation.

10. 2. 4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain.

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10. 2. 5 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

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

11. 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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.

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11. PROVISIONS AND CONTINGENCIES (continued)

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

11. 1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

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

12. 1 Short-term employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. 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.

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12. EMPLOYEE BENEFITS (continued)

12. 2 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 a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries. Past-service costs are recognised immediately.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur. In measuring its defined benefit liability the municipality shall, recognise past service cost as an expense in the reporting period in which the plan is amended.

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12. EMPLOYEE BENEFITS (continued)

Ex-Gratia Arrangements

Ex-gratia arrangements are paid to employees who are not part of the Municipality's formalised pension arrangements. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. BORROWING COST

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

14. IMPAIRMENT

Cash-generating assets are those assets used by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. An asset is designated as cash generating prospectively once indicators of impairment exist when the revenue earned through the use of the asset exceeds the expenditure incurred in the operation of the assets. The asset therefore generates a commercial return. If the expenditure incurred in the operation of the asset exceeds the revenue generated by the asset the asset will be designated as non-cash generating for impairment purposes.

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 held with the primary 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:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

- The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return.
- The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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14. IMPAIRMENT(continued)

14.1 Impairment of Cash generated Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A 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.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

14.2 Impairment of Non-Cash generated assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The recoverable service amount of those assets are estimated by using the depreciated replacement cost approach in term of GRAP 21.

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15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15. 1. Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fail value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15. 2. Subsequent measurement

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalise it increase the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal (including disposal through a non-exchange transaction), or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

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17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including
(a) MFMA number 56 of 2003
(b) Public Office Bearers Act (Act No. 20 of 1998)

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

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

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

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

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20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure (as described as per the Municipal Finance Management Act) is expenditure which was made in vain and would have been avoided had reasonable care been exercised. In terms of circular 99 National Treasury except interest on overdue accounts from being classified as fruitless and wasteful expenditure as a result of the impact which Covid 19 has had on the economy and local government. Management has assessed this impact as still being relevant at the reporting date, therefore applying the exception up to the end of the financial period.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

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

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TRANSLATION TO FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

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26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Only capital commitments are disclosed.

Commitments are disclosed for:

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

28. EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

29. COMPARATIVE OF ACTUAL INFORMATION TO BUDGETED INFORMATION

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2023 to 30 June 2024. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

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30. 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. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised. Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means. The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

30. 1. Statutory Receivables Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting 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 municipality and the transaction amount can be measured reliably.

30. 2. Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

30. 3. Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

30. 4. Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

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30. STATUTORY RECEIVABLES IDENTIFICATION (continued)

30. 5. 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 receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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

30. 6. Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another

party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally

and without needing to impose additional restrictions on the transfer. In this case, the municipality:

- derecognises the receivable; and
- recognises 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 municipality 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.

31. ACCOUNTING FOR PRINCIPAL OR AGENT AGREEMENTS

The municipality shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of a binding arrangement. The assessment requires the assessment whether the transactions undertaken with the third parties are for the benefit of another entity or for its own benefit. If the municipality is the principal, revenue and expenses that arise from transactions with the third parties are recognised by the municipality. Only that portion of the revenue and expenses the municipality receives or incurs in executing the transactions on behalf of the principal is recognised when the municipality is the agent. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified, paid over and invoiced to the principal. Assets and liabilities arising from principal-agent arrangements are recognised in accordance with the requirements of the GRAP standards applicable to the specific assets and related liabilities.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

32. ACCOUNTING FOR SEGMENT REPORTING

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

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Directorate Executive and Council, Municipal General, Municipal Manager, Corporate Services, Community Services, Financial Services, Strategic and Economic Development, Infrastructure and Services. The factors used to identify reportable segments include the nature as well and the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	2024 R	2023 R
1. GENERAL INFORMATION		
Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.		
2. INVENTORY		
Inventory Stores	56 806 072	49 677 985
Inventory Land	52 199 208	40 886 326
Water - at cost	3 008 183	2 793 701
Total Inventory	<u>112 013 463</u>	<u>93 358 012</u>
The net realisable value of the above water inventory is seen as higher than the cost as stipulated above. No inventory was pledged as security.		
The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:		
Water losses recognized for the year are:	144 855	120 708
	<u>85 381 138</u>	<u>77 947 877</u>
Total: Loss/Write down of Inventory	<u>85 525 994</u>	<u>78 068 584</u>
The cost of Inventories recognised as an expense during the period was:	78 213 106	84 118 695
Gains on sale inventory land:	16 048 804	5 890 915

3. ASSETS TO BE DISPOSED

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Allowance for Impairment	Net Balances
As at 30 June 2024			
Service Debtors:	2 717 978 494	1 010 449 337	1 707 529 157
Electricity	388 572 835	144 457 789	244 115 046
Refuse	236 196 524	87 809 606	148 386 918
Sewerage	302 572 996	112 486 057	190 086 939
Water	855 507 209	318 047 657	537 459 552
Miscellaneous	935 128 931	347 648 229	587 480 703
Market	1 152 026	428 283	723 743
Housing Debtors	85 417 633	31 755 288	53 662 345
Sub-Total	<u>2 804 548 154</u>	<u>1 042 632 908</u>	<u>1 761 915 245</u>
Non current portion	(24 190 612)		(24 190 612)
Total	<u>2 780 357 542</u>	<u>1 042 632 908</u>	<u>1 737 724 634</u>

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Allowance for Impairment	Net Balances
As at 30 June 2023			
Service Debtors:	2 513 346 451	1 069 571 215	1 443 775 236
Electricity	357 905 351	152 308 990	205 596 360
Refuse	200 539 194	85 340 781	115 198 413
Sewerage	257 880 515	109 742 760	148 137 755
Water	842 197 527	358 402 731	483 794 796
Miscellaneous	854 823 864	363 775 952	491 047 912
Market	929 354	395 493	533 861
Housing Debtors	66 377 766	28 247 497	38 130 268
Sub-Total	2 580 653 570	1 098 214 205	1 482 439 365
Non current portion	(67 482 432)		(67 482 432)
Total	2 513 171 138	1 098 214 205	1 414 956 933

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

	2024 R	2023 R
4.1 Ageing of Exchange Debtors		
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	68 528 103	66 412 814
<u>Past Due:</u>		
31 - 60 Days	19 689 724	14 477 974
61 - 90 Days	21 724 884	16 801 260
+ 90 Days	278 630 124	260 213 302
Total	388 572 835	357 905 351
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	7 809 623	6 726 124
<u>Past Due:</u>		
31 - 60 Days	5 587 282	4 868 785
61 - 90 Days	5 233 738	4 588 579
+ 90 Days	217 565 882	184 355 706
Total	236 196 524	200 539 194
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	8 867 413	8 399 995
<u>Past Due:</u>		
31 - 60 Days	7 142 647	6 341 680
61 - 90 Days	6 778 920	6 028 217
+ 90 Days	279 784 015	237 110 623
Total	302 572 996	257 880 515

	2024 R	2023 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Water: Ageing		
<u>Current:</u>		
0 - 30 days	38 681 121	41 630 467
<u>Past Due:</u>		
31 - 60 Days	19 899 852	21 342 240
61 - 90 Days	19 454 660	21 214 747
+ 90 Days	777 471 576	758 010 073
Total	855 507 209	842 197 527
Miscellaneous: Ageing		
<u>Current:</u>		
0 - 30 days	38 030 706	30 794 400
<u>Past Due:</u>		
31 - 60 Days	25 501 132	16 183 197
61 - 90 Days	18 246 000	31 108 227
+ 90 Days	854 503 120	777 667 394
Total	936 280 958	855 753 218
Housing Rentals: Ageing		
<u>Current:</u>		
0 - 30 days	1 856 212	1 614 652
<u>Past Due:</u>		
31 - 60 Days	1 867 506	1 571 947
61 - 90 Days	2 317 624	1 566 106
+ 90 Days	79 376 292	61 625 060
Total	85 417 633	66 377 766

4.2 Summary of Debtors by Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2024				
<u>Current:</u>				
0 - 30 days	121 403 100	58 338 613	21 034 798	200 776 511
<u>Past Due:</u>				
31 - 60 Days	50 214 846	26 468 927	18 211 875	94 895 648
61 - 90 Days	47 777 708	25 979 587	12 608 901	86 366 196
+ 90 Days	2 048 198 783	525 219 403	700 609 973	3 274 028 159
Sub-Total	2 267 594 437	636 006 530	752 465 547	3 656 066 514
Less: Allowance for Impairment	(846 725 837)	(237 486 542)	(280 972 651)	(1 365 185 029)
Total Debtors by Classification	1 420 868 600	398 519 988	471 492 896	2 290 881 485
As at 30 June 2023				
<u>Current:</u>				
0 - 30 days	114 680 668	50 705 731	27 784 831	193 171 230
<u>Past Due:</u>				
31 - 60 Days	51 748 174	17 637 958	11 379 397	80 765 529
61 - 90 Days	61 526 423	22 702 613	11 199 609	95 428 645
+ 90 Days	1 992 936 401	356 308 570	736 187 376	3 085 432 347
Sub-Total	2 220 891 667	447 354 871	786 551 213	3 454 797 751
Less: Allowance for Impairment	(948 793 339)	(189 818 124)	(336 024 743)	(1 474 636 207)
Total Debtors by Classification	1 272 098 328	257 536 747	450 526 470	1 980 161 545

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

An amount of R24,000,000 of the Debtors book have been ceded as security on the loans with the DBSA .

	2024 R	2023 R
4.3 Reconciliation of the Allowance for Impairment (Exchange and Non-Exchange)		
Balance at beginning of year	1 474 636 207	1 201 887 686
Impairment Loss recognised	313 396 672	391 817 365
Amounts written off as uncollectable	(422 847 849)	(119 068 844)
Balance at end of year	1 365 185 029	1 474 636 207

In determining the recoverability of debtors, the municipality has implemented a risk based approach. Individual accounts are assessed and based on the risk factors identified, the adjusted present value of future cash flows of each account is determined. The difference between the adjusted cash flows and the current value is recognised as an impairment loss.

4.4 Ageing of impairment

0 - 30 Days	4 736 044	5 115 747
31 - 60 Days	3 612 576	3 902 207
61 - 90 Days	3 157 412	3 410 551
+ 90 Days	1 353 678 998	1 462 207 701
Total	1 365 185 029	1 474 636 207

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

5.1 Statutory Receivables from Non-Exchange Transactions

Assessment Rates	816 591 991	834 769 034
Traffic Fines	20 288 519	22 632 402
	836 880 510	857 401 437
Less: Allowance for Impairment - Traffic Fines	(18 971 781)	(21 180 515)
Less: Allowance for Impairment - Assessment Rates	(303 580 340)	(355 241 487)
Total Other Debtors	514 328 389	480 979 435
Non current portion	(9 404 870)	(27 086 883)
Total Statutory Receivables from Non-Exchange Transactions	504 923 519	453 892 552

Statutory Receivables arises from the following legislation:

Assesment Rates	- Municipal Properties Rates Act (No.6 of 2004)
Traffic Fines	- Criminal Procedures Act

5.2 Trade receivables from Non-Exchange Transactions

Government Subsidy Claims	6 319 986	6 319 986
Miscellaneous debtors	8 317 864	10 422 758
	14 637 850	16 742 744
Total Trade receivables from Non-Exchange Transactions	14 637 850	16 742 744
Total Receivables from Non-Exchange Transactions	519 561 369	470 635 296

5.3 Ageing of Receivables

Rates: Ageing

Current:

0 - 30 days	37 003 389	34 555 471
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Past Due:

31 - 60 Days	15 207 552	15 979 758
61 - 90 Days	12 610 413	14 121 552
+ 90 Days	751 770 636	770 112 253
Total	816 591 991	834 769 034

It is impracticable to age traffic fines as the information is not with the municipality and the amount is impaired at year end.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments. All Grants and Subsidies are outstanding for more than 90 days.

6. CASH AND CASH EQUIVALENTS

Current Investments	58 385 925	49 987 031
Bank/(Bank Overdraft)	55 565 586	56 425 509
Total Cash and Cash Equivalents	113 951 511	106 412 540

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

	2024 R	2023 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	30 000 000	21 601 106
Notice Deposits	28 374 365	28 374 365
Total Current Investment Deposits	58 374 365	49 975 471

Call Deposits are investments with a maturity period of less than 3 months and earn an interest rate of 8.85% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates from 8.5% to 9.7% per annum.

A fixed deposit of R7,401,162 (22/23: R7,401,162) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (22/23: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during a previous financial year.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	56 425 509	141 138 544
Cash book balance at end of year	55 565 586	56 425 509

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	49 919 104	142 872 272
Bank statement balance at end of year / (overdrawn)	46 374 038	49 919 104

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.
Interest is earned at different rates per annum on favourable balances.

	2024 R	2023 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	11 560	11 560
Cash on hand in Cash Floats, Advances and Equivalents	<u>11 560</u>	<u>11 560</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

7. OPERATING LEASE ASSETS / RECEIVABLES

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	178 255	175 645
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7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 837 038	2 097 665
2 to 5 years	3 913 696	3 749 810
More than 5 years	578 734	612 215
Total Operating Lease Arrangements	<u><u>6 329 468</u></u>	<u><u>6 459 690</u></u>

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. STATUTORY RECEIVABLE FROM EXCHANGE TRANSACTIONS

Vat Receivable from Exchange Transactions	<u><u>-</u></u>	<u><u>31 207 231</u></u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (No.89 of 1991)

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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9. PROPERTY, PLANT AND EQUIPMENT(PPE) AND HERITAGE ASSETS

30 June 2024

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2023	1 659 154 265	316 787 004	47 178 466	2 023 119 734	12 070 884	2 035 190 618
Cost	2 374 116 010	426 312 613	190 565 524	2 990 994 147	12 070 884	3 003 065 031
- Completed Assets	1 836 368 553	397 228 828	186 617 372	2 420 214 754	6 017 355	2 426 232 108
- Under Construction	537 747 457	29 083 784	3 948 152	570 779 393	6 053 530	576 832 923
Accumulated Impairment Losses	(10 410 095)	-	-	(10 410 095)	-	(10 410 095)
Accumulated Depreciation:	(704 551 650)	(109 525 609)	(143 387 058)	(957 464 318)	-	(957 464 318)
- Cost	(704 551 650)	(109 525 609)	(143 387 058)	(957 464 318)	-	(957 464 318)
Acquisitions	338 476	-	5 204 126	5 542 602	-	5 542 602
Capital under Construction - Additions	139 772 292	-	3 948 152	143 720 444	-	143 720 444
- Cost	139 772 292	-	3 948 152	143 720 444	-	143 720 444
Depreciation:	(46 229 087)	(10 390 916)	(12 357 860)	(68 977 863)	-	(68 977 863)
- Based on Cost	(46 229 087)	(10 390 916)	(12 357 860)	(68 977 863)	-	(68 977 863)
Disposal/Impairment	-	(2 277 641)	(1 021 732)	(3 299 373)	-	(3 299 373)
- Cost	-	(4 518 875)	(33 368 096)	(37 886 972)	-	(37 886 972)
- Accumulated Depreciation	-	2 241 234	32 346 365	34 587 599	-	34 587 599
- Based on Cost	-	2 241 234	32 346 365	34 587 599	-	34 587 599
Carrying values at 30 June 2024	1 753 035 946	304 118 446	42 951 152	2 100 105 544	12 070 884	2 112 176 428
Cost	2 514 226 778	421 793 737	166 349 706	3 102 370 221	12 070 884	3 114 441 105
- Completed Assets	1 836 707 029	392 709 953	158 453 402	2 387 870 384	6 017 355	2 393 887 739
- Under Construction	677 519 749	29 083 784	7 896 304	714 499 837	6 053 530	720 553 366
Accumulated Impairment Loss	(10 410 095)	-	-	(10 410 095)	-	(10 410 095)
Accumulated Depreciation:	(750 780 737)	(117 675 291)	(123 398 554)	(991 854 582)	-	(991 854 582)
- Cost	(750 780 737)	(117 675 291)	(123 398 554)	(991 854 582)	-	(991 854 582)

30 June 2023

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2022	1 603 907 589	318 159 307	43 409 389	1 965 476 285	12 070 884	1 977 547 169
Cost	2 272 903 035	417 316 916	175 123 879	2 865 343 831	12 070 884	2 877 414 715
- Completed Assets	1 622 269 293	397 228 828	175 123 879	2 194 622 000	6 017 355	2 200 639 355
- Under Construction	650 633 742	20 088 088	-	670 721 830	6 053 530	676 775 360
Accumulated Impairment Losses	(10 410 095)	-	-	(10 410 095)	-	(10 410 095)
Accumulated Depreciation:	(658 585 351)	(99 157 610)	(131 714 490)	(889 457 451)	-	(889 457 451)
- Cost	(658 585 351)	(99 157 610)	(131 714 490)	(889 457 451)	-	(889 457 451)
Restated carrying values at 01 July 2022	1 603 907 589	318 159 307	43 409 389	1 965 476 285	12 070 884	1 977 547 169
Acquisitions	(1 220 564)	-	11 493 493	10 272 929	-	10 272 929
Capital under Construction - Additions	102 433 539	8 995 696	3 948 152	115 377 387	-	115 377 387
- Cost	102 433 539	8 995 696	3 948 152	115 377 387	-	115 377 387
Depreciation:	(45 966 300)	(10 367 999)	(11 672 568)	(68 006 867)	-	(68 006 867)
- Based on Cost	(45 966 300)	(10 367 999)	(11 672 568)	(68 006 867)	-	(68 006 867)
Capital under Construction - Completed	(215 319 824)	-	-	(215 319 824)	-	(215 319 824)
Other Movements	215 319 824	-	-	215 319 824	-	215 319 824
- Cost	215 319 824	-	-	215 319 824	-	215 319 824
Carrying values at 30 June 2023	1 659 154 265	316 787 004	47 178 466	2 023 119 734	12 070 884	2 035 190 618
Cost	2 374 116 010	426 312 613	190 565 524	2 990 994 147	12 070 884	3 003 065 031
- Completed Assets	1 836 368 553	397 228 828	186 617 372	2 420 214 754	6 017 355	2 426 232 108
- Under Construction	537 747 457	29 083 784	3 948 152	570 779 393	6 053 530	576 832 923
Accumulated Impairment Losses	(10 410 095)	-	-	(10 410 095)	-	(10 410 095)
Accumulated Depreciation:	(704 551 650)	(109 525 609)	(143 387 058)	(957 464 318)	-	(957 464 318)
- Cost	(704 551 650)	(109 525 609)	(143 387 058)	(957 464 318)	-	(957 464 318)

Refer to Appendices "B, C and Notes 37 and 61.2" for more detail on Property, Plant and Equipment, including those in the course of construction and amount spend on repairs and maintenance. None of the municipality's Assets which form part of Property, plant and equipment has been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Assets of the municipality.

	2024 R	2023 R
9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<u>120 680</u>	<u>50</u>
9.2 Heritage Assets		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Some of these categories are not valued due to the fact that no active market exists for these items and therefore no value can be attached to it. The mentioned categories are: <i>Municipal Jewellery, Antique Paintings, Monuments (including plaques or busts)</i> . The note below gives the detail of the composition of the heritage registers and the values attached thereto.		
Heritage assets disclosed in the financial statements consist of the following:		
Land (24 areas)	5 981 199	5 981 199
Antiques Other (38 items)	36 156	36 156
Antiques Paintings (15 items)	-	-
Municipal Jewellery (2 items)	-	-
Monuments (13 items)	-	-
Monuments (Work in progress)	6 053 530	6 053 530
Total	<u>12 070 884</u>	<u>12 070 884</u>
9.3 Work in Progress (WIP) - Projects significantly delayed		
The Riverton high lift pumps project is complete, formal close out report to be submitted	2 325 266	2 325 266
The Ritchie Bulk Water Augmentation project is complete, formal close out report to be submitted	6 547 655	6 547 655
Delays were encountered previously by the Homevale Fire Station Project Contractor, due to his cash-flow problem, these have been resolved and the project is nearing completion.	15 097 730	15 097 730
The Lerato Park Bulk water component of the project is complete however due to change of scope on the sewer infrastructure, the project was delayed and is an ongoing project.	17 752 142	17 752 142
The Nelson Mandela monument project has been delayed due to the fact that there are ongoing investigations pertaining to this project.	6 053 530	6 053 530
The Galeshewe Transport Link project has been completed, formal close out report to be submitted	21 896 308	21 896 308
The Galeshewe Storm water Project is implemented in phases. The recent completed phase is Phase 2: Priority 2A. Whilst Phase2, Priority 2B commenced late in the 20/21 FY. This is an ongoing project.	4 480 123	155 738 389
Various ongoing BFI water projects not unbundled.	62 533 630	-
Various road projects not unbundled due to various reasons.	153 673 938	-
Various sewer projects delayed due to SCM procedures and insufficient funding.	160 414 874	21 287 134
The reconstruction of the sink toilets in Kutlwanong commenced during late 20/21 FY and is an ongoing project.	13 103 007	13 103 007
The Newton water treatment plant project was not completed due to funding shortfall.	9 533 660	9 533 660
Various vechiles to be registered.	7 896 304	-
Various electricity projects delayed due to SCM procedures and insufficient funding.	175 349 776	147 995 722
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<u>46 592 291</u>	<u>17 713 591</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2023	17 713 591	17 713 591
Cost	27 701 450	27 701 450
Accumulated Amortisation	(9 987 859)	(9 987 859)
Acquisitions during the Year:	34 028 016	34 028 016
Amortisation during the Year:	(5 149 316)	(5 149 316)
Carrying values at 30 June 2024	46 592 291	46 592 291
Cost	61 729 466	61 729 466
Accumulated Amortisation	(15 137 175)	(15 137 175)
	Computer Software	Total
Carrying values at 01 July 2022	21 335 860	21 335 860
Cost	27 701 450	27 701 450
Accumulated Amortisation	(6 365 590)	(6 365 590)
Amortisation during the Year:	(3 622 270)	(3 622 270)
Carrying values at 30 June 2023	17 713 591	17 713 591
Cost	27 701 450	27 701 450
Accumulated Amortisation	(9 987 859)	(9 987 859)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31). All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

2024 **2023**
R **R**

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	201 266 437	201 692 055
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	201 692 055	209 261 211
Cost	204 646 335	212 014 448
Accumulated Depreciation	(2 954 279)	(2 753 236)
Depreciation during the Year	(201 594)	(201 043)
Disposals during the Year:	(224 024)	-
At Cost	(224 024)	-
Transfers during the Year:	-	(7 368 113)
At Cost	-	(7 368 113)

Carrying values at 30 June	201 266 437	201 692 055
Cost	204 422 310	204 646 335
Accumulated Depreciation	(3 155 873)	(2 954 279)

Cost of Investment Property at 30 June	204 422 310	204 646 335
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Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental	178 255	175 645
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. Impairment is assessed annually and if an indicator of impairment is identified, the investment property will be impaired.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

Electricity and Water	48 325 086	45 470 920
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Total Consumer Deposits	48 325 086	45 470 920
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Guarantees held in lieu of Electricity and Water Deposits	2 007 428	2 007 428
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Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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	2024 R	2023 R
14. EMPLOYEE BENEFITS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	12 462 478	12 560 000
Current Portion of Long Service Liability (See Note 19 below):	474 033	599 000
Ex-Gratia Arrangements	<u>474 033</u>	<u>599 000</u>
Accrued Leave	59 641 474	67 271 015
Staff Bonuses	13 796 386	13 356 776
Total Provisions	<u>86 374 371</u>	<u>93 786 790</u>

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	514 463 800	1 158 128 552
Payments received in Advance	47 659 293	59 457 592
Other Payables	725 096	725 096
Total Payables	<u>562 848 189</u>	<u>1 218 311 240</u>

Various individual creditor balances have been restated for the prior year. Part of the restatement relates to a reversal of Eskom interest. The municipality took part in the National Treasury Circular 124 Debt Relief Programme, accordingly to that agreement interest amounting to R37million for 2022-23 has been reversed. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2024.

The required average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. For the current financial year due to cash flow constraints not all payments were made in 30 days. Due to the municipality taking part in the Debt Relief Programme mentioned above, part of the Eskom debt reported under Trade payables is to be written-off the over three years subject to the municipality's compliance with the conditions of the agreement.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	4 057 327	7 233 366
Grants	<u>4 057 327</u>	<u>7 233 366</u>
Total Conditional Grants and Receipts	<u>4 057 327</u>	<u>7 233 366</u>

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "D" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	<u>78 499 978</u>	<u>-</u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

	2024 R	2023 R
18. LONG TERM LIABILITIES		
Annuity Loans	146 120 159	159 429 616
Finance Lease Liabilities	14 108 848	433 788
Municipal Relief Debt liability	661 955 432	-
Sub-total	<u>822 184 438</u>	<u>159 863 404</u>
Less: Current Portion transferred to Current Liabilities:-	20 630 811	13 529 987
Annuity Loans	14 782 198	13 352 125
Finance Lease Liabilities	<u>5 848 614</u>	<u>177 861</u>
Total Long-term Liabilities	<u><u>801 553 626</u></u>	<u><u>146 333 418</u></u>

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.
An amount of R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on the loans with the DBSA .

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease	
	2024	2023	2024	2023
	R	R	R	R
Amounts payable under finance leases:				
Within one year	6 647 208	199 841	5 848 614	177 861
In the second to fifth years, inclusive	5 676 664	-	5 676 664	-
	<u>12 323 872</u>	<u>199 841</u>	<u>11 525 278</u>	<u>177 861</u>
Present Value of Minimum Lease Obligations	<u>12 323 872</u>	<u>199 841</u>	<u>11 525 278</u>	<u>177 861</u>
Less: Amounts due for settlement within 12 months (Current Portion)			5 848 614	177 861
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>5 676 664</u>	<u>-</u>
Minimum Lease Payments			12 323 872	199 841
Present Value of Minimum Lease			<u>11 525 278</u>	<u>177 861</u>
Future finance charges			<u><u>798 594</u></u>	<u><u>21 980</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Software Licenses

Included in these classes are the following significant lease:

(i) ESRI Licensing agreement

- Instalments are payable yearly in advance

- Average period outstanding

- Average effective interest rate

- Average yearly instalment

2 months

11.75%

563 925

2 months

10.00%

564 361

19. EMPLOYEE BENEFIT LIABILITIES

Ex-Gratia Arrangements	195 789	189 000
Post-retirement Health Care Benefits Liability	290 517 977	244 046 000
Total Non-current Provisions	<u><u>290 713 766</u></u>	<u><u>244 235 000</u></u>

The movement in Employee Benefit Liabilities are reconciled as follows:

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	256 606 000	262 853 000
Contributions to Provision	(12 560 000)	(11 081 000)
Expenditure incurred	43 115 000	39 340 000
Actuarial loss/(gain)	<u>15 819 455</u>	<u>(34 506 000)</u>
Wholly unfunded balance at year end	302 980 455	256 606 000
Transfer to Current Provisions	<u>(12 462 478)</u>	<u>(12 560 000)</u>
Total Post-retirement Health Care Benefits Liability	<u><u>290 517 977</u></u>	<u><u>244 046 000</u></u>

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 by DT Mureriwa, Fellow member of the Actuarial Society of South Africa and Fellow of the Faculty of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service (employee) members	1 194	1 207
In-service (employee) non-members	103	124
Continuation Members (retirees and widowers)	254	239
Total Members	<u><u>1 551</u></u>	<u><u>1 570</u></u>

19. EMPLOYEE BENEFIT LIABILITIES (Continued)

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

	2024 R	2023 R
In-service Members	174 072 706	144 059 000
In-service Non-members	3 383 036	4 048 000
Continuation Members	125 524 713	108 499 000
Total Liability	<u>302 980 455</u>	<u>256 606 000</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas	- LA Health
- Hosmed	- Samwumed
- Key Health	

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

Discount Rate	10,66%	13,95%
Health Care Cost Inflation Rate	7,00%	8,42%
Net Effective Discount Rate	3,42%	4,14%
Expected Rate of Salary Increase (ERSI)	5,50%	6,28%
Expected Retirement Age - Females	65	62
Expected Retirement Age - Males	65	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	256 606 000	262 853 000
Current service costs	7 692 000	8 060 000
Interest cost	35 423 000	31 280 000
Benefits paid	(12 560 000)	(11 081 000)
Actuarial loss/(gain)	15 819 455	(34 506 000)
Present Value of Fund Obligation at the end of the Year	<u>302 980 455</u>	<u>256 606 000</u>
Total Recognised Benefit Liability	<u>302 980 455</u>	<u>256 606 000</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	302 980 455	256 606 000
Total Benefit Liability	<u>302 980 455</u>	<u>256 606 000</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	7 692 000	8 060 000
Interest cost	35 423 000	31 280 000
Actuarial losses / (gains)	15 819 455	(34 506 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>58 934 455</u>	<u>4 834 000</u>

The history of experienced adjustments is as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Present Value of Defined Benefit Obligation	302 980 455	256 606 000	262 853 000	242 085 000	239 565 000
Deficit	<u>302 980 455</u>	<u>256 606 000</u>	<u>262 853 000</u>	<u>242 085 000</u>	<u>239 565 000</u>

2024 R	2023 R
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	35 958 401	45 854 000
Effect on the defined benefit obligation	267 294 135	271 559 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	47 932 285	39 982 000
Effect on the defined benefit obligation	346 176 346	239 620 000

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

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	2024 R	2023 R
19. EMPLOYEE BENEFIT LIABILITIES (Continued)		
19.2 Ex-Gratia Arrangements		
Balance at beginning of year	788 000	1 005 000
Interest cost	47 000	53 000
Expenditure incurred / Contribution	(599 000)	(135 457)
Actuarial Loss / (Gain)	<u>433 822</u>	<u>(134 543)</u>
	669 822	788 000
Transfer to current provisions	<u>(474 033)</u>	<u>(599 000)</u>
Balance at end of year	<u>195 789</u>	<u>189 000</u>
Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by DT Mureriwa, Fellow member of the Actuarial Society of South Africa and Fellow of the Faculty of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end there were 13 remaining employees eligible for Ex-gratia arrangement awards.		
The interest costs for the year is estimated to be:	47 000	53 000
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.18%	9.59%
Net Effective Discount Rate	4.24%	3.11%
Expected Rate of Salary Increase	4.74%	6.28%
Expected Retirement Age - Females	65	63
Expected Retirement Age - Males	65	61
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	788 000	1 005 000
Interest cost	47 000	53 000
Expenditure incurred / Contribution	(599 000)	(135 457)
Present Value of Fund Obligation at the end of the Year	<u>669 822</u>	<u>788 000</u>
Total Recognised Benefit Liability	<u>195 789</u>	<u>189 000</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	47 000	53 000
Actuarial loss	<u>433 822</u>	<u>(134 543)</u>
Total Post-retirement Benefit included in Employee Related Costs	<u>480 822</u>	<u>(81 543)</u>
The history of experienced adjustments is as follows:		
	2024 R	2023 R
Present Value of Defined Benefit		
Obligation	669 822	788 000
Deficit	<u>669 822</u>	<u>788 000</u>
	2022 R	2021 R
	1 005 000	1 094 000
	<u>1 005 000</u>	<u>1 094 000</u>
	2020 R	2019 R
	1 267 587	1 267 587
	<u>1 267 587</u>	<u>1 267 587</u>
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the interest cost	40 819	47 000
Effect on the defined benefit obligation	684 000	793 000
Decrease:		
Effect on the aggregate of the interest cost	38 670	46 000
Effect on the defined benefit obligation	656 069	783 000

	2024 R	2023 R
20. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	1 045 593	707 117
Total Non-current Provisions	1 045 593	707 117

The movement in Non-current Provisions are reconciled as follows:

20.1 Rehabilitation of Land-fill Sites

Balance at beginning of year	707 117	1 927 681
Expenditure incurred / Contribution	338 476	(1 220 564)
	1 045 593	707 117
Balance at end of year	1 045 593	707 117

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be 78 years (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

1 045 593	707 117
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An independent valuer performed the valuation.

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

Inflation Rate	6,51%	7,23%
Size of landfill site in hectares	16	16
Annual airspace of waste deposited	73 819	71 365

Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	51 500 000	39 368 598
Self-insurance Reserve	12 150 857	13 683 967
C.O.I.D. Reserve	11 153 236	11 013 159
Accumulated Surplus due to the results of Operations	2 908 028 774	2 632 062 030
Total Accumulated Surplus	2 982 832 867	2 696 127 753

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.) Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

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			2024 R	2023 R
22. PROPERTY RATES				
	Property Valuations	Actual Levies		
	July 2021	July 2020		
	R000's	R000's		
Residential	23 920 801	21 149 552	243 085 699	210 391 846
Business	7 536 443	7 123 594	257 575 288	239 707 946
Rural	2 612 917	2 331 965	2 184 588	703 646
Industrial	807 530	741 220	28 169 059	24 452 353
PSI	157 379	129 219	-	-
State	2 498 871	2 270 460	118 392 672	122 590 967
Mining Areas	102 685	103 492	7 035 022	13 144 279
Exempt	3 164 014	2 332 332	-	-
Total Assessment Rates	40 800 639	36 181 835	656 442 329	610 991 037

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2023. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on a monthly basis. Ratepayers can apply to pay rates yearly with the final date of payment being 30 September each year. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A rebate was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

	2024 R	2023 R
23. INTEREST EARNED		
External Investments:		
Interest	16 116 393	8 549 555
Outstanding Debtors:		
Interest earned on statutory receivables	96 761 065	82 989 796
Interest earned on trade receivables	161 280 363	116 992 393
	258 041 428	199 982 189
Total Interest Earned	274 157 821	208 531 744
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial instruments at amortised cost	274 157 821	208 531 744

24. SERVICE CHARGES		
Sale of Electricity	886 360 447	755 213 175
Sale of Water	275 869 980	271 359 985
Refuse Removal	75 113 780	66 890 316
Sewerage and Sanitation Charges	93 749 034	89 203 262
Total Service Charges	1 331 093 241	1 182 666 738
Availability service charges non-exchange transactions	49 298 636	4 036 985
Total Service Charges	1 380 391 877	1 186 703 723

As per GRAP 9 and the accounting standards board frequently asked questions 6.1, the municipality have not recognised revenue foregone relating to free basic services and internal consumption as there is no intention to collect the revenue related to the free or subsidised goods and services.

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

25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Facilities and Equipment	28 850 882	26 000 384
Total Rental of Facilities and Equipment	28 850 882	26 000 384
Rental revenue earned on Facilities and Equipment is in respect of residential and commercial buildings rented out.		

26. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants		
National Equitable Share	263 135 366	239 158 000
Other Subsidies	8 866 000	8 500 000
Operational Grants	272 001 366	247 658 000
Conditional Grants	173 539 194	125 147 552
National: Financial Management Grant (FMG)	1 700 000	1 700 000
National: Integrated Urban Development Grant(IUDG)	63 395 000	70 390 000
National: Grants	74 133 980	41 614 634
National: Expanded Public Works Programme (EPWP)	3 102 000	3 959 000
Provincial: Grants	112 693	1 183 919
Local Government: Local Municipalities Grant	12 245 521	6 300 000
Other Spheres of Government: Various Grants	18 850 000	-
Total Government Grants and Subsidies	445 540 560	372 805 552

	2024 R	2023 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Unconditional Grants:		
26.1 National Equitable Share:		
Equitable Share	263 135 366	239 158 000
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.	263 135 366	239 158 000
26.2 Provincial Health Subsidies:		
The Municipality renders health services on behalf of the Provincial Government but do not receive a grant for these services.		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	8 866 000	8 500 000
- Library	8 866 000	8 500 000
Conditions met - transferred to Revenue	(8 866 000)	(8 500 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix D). The conditions of the grant have been met.	-	-
Conditional Grants:		
26.4 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1 700 000	1 700 000
Conditions met - transferred to Revenue: Operating Expenses	(1 700 000)	(1 700 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix D).	-	-
26.5 National: IUDG		
Balance unspent at beginning of year	-	-
Current year receipts	63 395 000	70 390 000
Conditions met - transferred to Revenue: Capital Expenses	(63 395 000)	(70 390 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix D). No funds have been withheld.	-	-
26.6 National: Grants		
Balance unspent at beginning of year	7 233 366	1 641 596
Current year receipts	70 870 634	47 206 404
Conditions met - transferred to Revenue: Operating Expenses	(3 775 826)	(3 855 671)
Conditions met - transferred to Revenue: Capital Expenses	(70 358 154)	(37 758 962)
Conditions still to be met - transferred to Liabilities (see Note 16)	3 970 020	7 233 366
This grant was used for various projects (included in Appendix D). No funds have been withheld.	-	-
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	3 102 000	3 959 000
Conditions met - transferred to Revenue: Operating Expenses	(3 102 000)	(3 959 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix D). No funds have been withheld.	-	-
26.8 Provincial: Grants		
Balance unspent at beginning of year	-	83 919
Current year receipts	200 000	1 100 000
Conditions met - transferred to Revenue: Operating Expenses	(112 693)	(1 183 919)
Conditions still to be met - transferred to Liabilities (see Note 16)	87 307	-
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix D).	-	-

	2024 R	2023 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	12 245 521	6 300 000
Conditions met - transferred to Revenue: Operating Expenses	(5 808 449)	(6 300 000)
Conditions met - transferred to Revenue: Capital Expenses	<u>(6 437 071)</u>	<u>-</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix D). No funds have been withheld.		
26.10 Other Grants		
Balance unspent at beginning of year	-	-
Current year receipts	18 850 000	-
Conditions met - transferred to Revenue: Capital Expenses	<u>(18 850 000)</u>	<u>-</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
This European Union (EU/BEAR) grant was used for various projects (included in Appendix D).		
26.11 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	<u>215 206 290</u>	<u>3 387 299</u>
Total Public Contributions and Donations	<u>215 206 290</u>	<u>3 387 299</u>
Donations received comprise of various assets/maintenance that was paid for by a third party.		
28. OTHER INCOME		
Premiums received and claims recovered	1 486 262	708 843
Admission, Academic and transaction fees	6 040 937	6 060 882
Burial fees	3 164 283	2 458 660
Building Plan Approvals	3 465 047	4 777 449
Market Fees	2 676 205	3 860 980
Unclaimed fines, deposits and stale cheques	85 533	618 479
Various (including camping fees, advertising, etc.)	<u>1 384 071</u>	<u>1 490 955</u>
Total Other Income	<u>18 302 339</u>	<u>19 976 247</u>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	465 390 326	440 528 383
Employee Related Costs - Contributions for UIF and Medical Aids	58 395 898	54 962 028
Employee Related Costs - Contributions for Pensions	68 032 798	64 392 019
Employee Related Costs - 13th Annual Cheque	30 590 995	30 249 110
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	116 142 837	102 361 231
Housing Benefits and Allowances	2 866 766	2 754 905
Overtime Payments	78 737 725	58 731 168
Long-service Awards	30 971 504	27 933 743
Defined Benefit Plan Expense:	59 415 277	4 752 457
Current Service Cost	7 692 000	8 060 000
Interest Cost	35 470 000	31 333 000
Net Actuarial loss/(gain) recognised	<u>16 253 277</u>	<u>(34 640 543)</u>
Total Employee Related Costs	<u>910 544 126</u>	<u>786 665 044</u>
Remuneration of the Municipal Manager		
Annual Remuneration	1 510 421	1 405 162
Car Allowance	316 451	290 088
Company Contributions to UIF, Medical and Pension Funds	<u>129 234</u>	<u>327 880</u>
Total	<u>1 956 106</u>	<u>2 023 130</u>
Remuneration of the Director: Finance		
Annual Remuneration	215 303	933 508
Car Allowance	-	198 504
Company Contributions to UIF, Medical and Pension Funds	<u>177</u>	<u>114 929</u>
Total	<u>215 481</u>	<u>1 246 941</u>
The post was vacant for a part of the year. The above amounts includes acting employees.		
Remuneration of the Director: Corporate Services		
Annual Remuneration	1 515 117	1 287 271
Car Allowance	420 023	379 802
Company Contributions to UIF, Medical and Pension Funds	<u>322 566</u>	<u>267 501</u>
Total	<u>2 257 706</u>	<u>1 934 574</u>

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	2024 R	2023 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	1 528 319	1 447 467
Car Allowance	328 237	309 007
Company Contributions to UIF, Medical and Pension Funds	309 935	287 609
Total	2 166 491	2 044 083
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	85 232	909 734
Car Allowance	-	146 418
Company Contributions to UIF, Medical and Pension Funds	177	165 498
Total	85 409	1 221 650
The post was vacant for a part of the year. The above amounts includes acting employees.		
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	87 676	719 083
Car Allowance	-	210 426
Company Contributions to UIF, Medical and Pension Funds	177	242 888
Total	87 853	1 172 397
The post was vacant for a part of the year. The above amounts includes acting employees.		
The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	101 297	121 116
Chief Financial Officer	-	-
Director Community	81 711	195 827
Director Corporate	-	-
Director SED	180 571	164 830
Director Technical	-	-
Total	363 578	481 774
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	1 139 017	1 100 677
Speaker	942 512	911 849
Councillors	26 363 147	26 193 139
Contributions to UIF, Medical and Pension Funds and other allowances	5 424 266	5 025 720
Total Councillors' Remuneration	33 868 942	33 231 386
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	68 977 863	68 006 867
Amortisation: Intangible Assets	5 149 316	3 622 270
Depreciation: Investment Property	201 594	201 043
Total Depreciation and Amortisation	74 328 772	71 830 180
32. IMPAIRMENT LOSS		
<i>32.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	2 112 363	-
Property, Plant and Equipment	2 112 363	-
<i>32.2 Impairment Loss on Financial Assets</i>		
Impairment Losses Recognised:	333 145 727	378 747 381
Trade Receivables from exchange transactions	387 015 608	340 057 049
Trade Receivables from non-exchange transactions	(53 869 881)	38 690 332
Total Impairment Loss	335 258 089	378 747 381
33. FINANCE COSTS		
Loans and Payables at amortised cost	66 140 875	20 987 895
Interest on overdue accounts	55 735 440	92 671 208
Finance Leases	774 766	295 763
Total Interest Expense	122 651 081	113 954 866
Total Interest Paid on External Borrowings	122 651 081	113 954 866
34. BULK PURCHASES		
Electricity	787 457 231	672 362 000
Total Bulk Purchases	787 457 231	672 362 000
Bulk Water moved to general expenditure and losses on inventory	129 069 855	121 259 903
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.		

	2024 R	2023 R
35. CONTRACTED SERVICES		
Audit committee	458 015	369 200
Legal and collection cost	4 777 370	4 457 290
Maintenance of Equipment and Security	(1 000 000)	1 966 810
Project Management	23 587 229	5 256 134
Prepaid Vendor	15 231 539	9 846 827
Other Contracted Services	2 035 847	6 389 174
Total Contracted Services	45 090 000	28 285 436

36. GRANTS AND SUBSIDIES PAID		
Other Grants	126 435	298 918
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	2 400 000	2 300 000
Total Grants and Subsidies	2 526 435	2 598 918
The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.		

37. GENERAL EXPENSES		
Repairs and Maintenance		
Hardware in Store	4 921 468	6 907 331
Stores Workshop	1 314 854	1 136 100
Building Maintenance	11 769 147	5 759 756
Electricity Maintenance	21 638 416	22 709 578
Fleet Maintenance	4 583 436	8 252 085
General Maintenance	10 175 630	11 096 734
Other Materials - Clarification/Purification Chemicals	20 102 169	22 287 998
Other Materials -Cleaning material	2 096 724	2 016 775
Other Materials - Fuel	19 471 821	18 860 887
Other Materials - Stationery	4 270 884	3 786 733
Other Materials	38 415	30 180
Refuse Maintenance	29 024 243	25 127 125
Roads	50 079 127	36 997 722
Sewer	11 239 281	12 781 864
Streetlights	9 539 958	9 483 290
Water	25 929 561	34 151 933
Sub Total Repairs and Maintenance	226 195 135	221 386 089
Other Expenses		
Audit fees	8 072 426	6 640 724
Bank charges	2 366 079	2 566 164
Catering municipal activities	500 685	481 017
Conferences and seminars	4 969 337	3 380 891
Course fees/Skills development levy	8 019 503	7 230 126
Electricity	47 490 573	42 498 243
Indigent relief	4 280 818	7 015 945
Interns and learner ships	1 306 811	937 094
Insurance and claims	21 308 420	13 699 672
Membership fees	9 529 035	8 291 060
Postage	2 507 278	3 999 934
Printing and stationary	2 516 004	2 194 129
Software licences and Computer services	6 521 826	6 947 846
Telephone expenditure	1 135 767	2 000 709
Uniforms and Protective clothing	6 180 022	5 057 449
Vehicle licences	1 545 770	1 403 018
Vehicle tracking	1 111 906	1 299 564
Water	63 246	49 870
Water inventory consumed	43 688 716	43 312 026
Water resource management fee	3 204 209	2 761 556
Ward committee activities	3 807 011	4 294 070
Other General Expenses	5 926 564	8 333 434
Sub Total Other Expenses	186 052 006	174 394 539
Total General Expenses	412 247 142	395 780 628

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement. The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

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38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year under review.

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended before 30 June 2022.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Expenditure	(82 363)
Corrections to Property, Plant and Equipment	(240 000)
Increase / (Decrease) in Unappropriated Surplus Account	(322 363)
Increase / (Decrease) in Accumulated Surplus Account	(322 363)

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2023 Revenue	2023 Correction	Restated Amount
Other Income	16 938 883	3 037 365	19 976 247

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2023 Expenditure	2023 Correction	Restated Amount
Remuneration of Councillors	32 224 280	1 007 105	33 231 386
General Expenses	395 788 591	(7 963)	395 780 628

SURPLUS/(DEFICIT) FOR THE YEAR	(61 544 568)	2 038 222	(59 506 346)
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39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2023 Fin Position	2023 Correction	Restated Amount
Accumulated Surplus	2 694 411 894	1 715 860	2 696 127 753
Payables from Exchange Transactions	1 217 229 735	1 081 505	1 218 311 240
Property, Plant and Equipment	2 023 359 734	(240 000)	2 023 119 734
Investment Property	212 355 668	(10 663 613)	201 692 055
Inventory	82 694 399	10 663 613	93 358 012
Trade Receivables from Non-Exchange Transactions	13 705 380	3 037 365	16 742 744

39.4 Restatement of Non-current Liabilities:

No restatements for the financial year.

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

Included in the prior year's restated amounts are corrections in respect payables on exchange transactions as a result of corrections to creditors.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions
Balances as per AFS previously published for 22/23	1 217 229 735
Restatement of Current Liabilities	1 081 505
Balances as per current AFS published for 22/23	<u>1 218 311 240</u>

39.6 Restatement of Non-Current Assets

The prior year figures for Property, Plant and Equipment(PPE), Inventory and Investment properties had to be corrected as a result of a changes in the asset register due to the previous year's audit. This correction was done retrospectively and impacted on PPE and the Surplus Account. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Inventory	Property, Plant and Equipment	Investment Property
Balances as per AFS previously published for 22/23	82 694 399	2 023 359 734	212 355 668
Restatement of non-current assets	10 663 613	(240 000)	(10 663 613)
Balances as per current AFS published for 22/23	<u>93 358 012</u>	<u>2 023 119 734</u>	<u>201 692 055</u>

39.7 Restatement of Accumulated Depreciation:

No restatements for the financial year.

39.8 Adjustment of Revenue:

The prior year figure Other Income had to be corrected see note 39.1.

The effect of the Correction of Error is as follows:

	Other Income
Balances as per AFS previously published for 22/23	16 938 883
Adjustment of prior period revenue	3 037 365
Balances as per current AFS published for 22/23	<u>19 976 247</u>

39.9 Adjustment of Expenses:

The prior year figure for Remuneration Councillors, Finance Cost and General Expenditure were adjusted after corrections were identified. The relevant expenditure categorie and the Surplus Account were corrected. The restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Remuneration Councillors	General Expenses
Balances as per AFS previously published for 22/23	32 224 280	395 788 591
Adjustment of prior period expenses	1 007 105	(7 963)
Balances as per current AFS published for 22/23	<u>33 231 386</u>	<u>395 780 628</u>

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets is a restated balance for Inventory, trade and other receivables. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 22/23	2 102 869 034
Adjustment for prior period error	13 700 978
Balances as per current AFS published for 22/23	<u>2 116 570 012</u>

39.10 Restatement of Cash Flow Statement

The prior year balances of items on the Cash Flow Statement of Financial Position have been restated due to prior year error corrections as per note 39.

The effect of the Correction of Error is as follows:

	2023 Cash Flow	2023 Correction	Restated Amount
Supplier and other payments	(981 601 918)	(3 295 500)	(984 897 418)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>92 015 434</u>	<u>(3 295 500)</u>	<u>88 719 934</u>

	2024 R	2023 R
40. CHANGE IN ACCOUNTING ESTIMATES		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	286 705 114	(59 506 346)
Adjustment for:		
Adjusting non cash flow items prior errors	3 299 373	7 285 750
Adjusting non cash flow items	-	(3 387 299)
Depreciation and Amortisation	74 328 772	71 830 180
Contribution to Impairment Provision	313 396 672	391 817 365
Bad Debts Written-off	(422 847 849)	(119 068 844)
Interest earned	(274 157 821)	(208 531 744)
Gains on sale of Assets	(16 048 804)	-
Finance Costs	122 651 081	113 954 866
Operating surplus before working capital changes	87 326 538	194 393 927
(Increase)/Decrease in Inventories	(18 655 451)	(18 904 465)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(223 894 583)	(390 867 157)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	22 625 820	(27 962 609)
Increase/(Decrease) in Interest Receivables	110 505 641	128 534 307
(Increase)/Decrease in VAT Receivable	31 207 231	(6 125 238)
Increase/(Decrease) in Consumer Deposits	2 854 166	2 493 630
Increase/(Decrease) in Creditors (Capital creditors excluded)	-632 537 766	237 266 078
Increase/(Decrease) in Conditional Grants and Receipts	(3 176 040)	5 507 852
(increase)/Decrease in Provisions and Employee Benefits	39 404 822	(1 658 962)
Increase/(Decrease) in VAT Payable	78 499 978	-
Cash generated by / (utilised in) Operations	(505 839 643)	122 677 363
Income for the year	3 098 876 992	2 502 769 233
Adjustment for:-		
Investment income	(274 157 821)	(208 531 744)
Adjusting non cash flow items	-	(3 387 299)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(223 894 583)	(390 867 157)
Bad Debts Written-off	(422 847 849)	(119 068 844)
Increase/(Decrease) in Consumer Deposits	2 854 166	2 493 630
Increase/(Decrease) in Interest Receivables	110 505 641	128 534 307
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	22 625 820	(27 962 609)
(Decrease)/Increase in conditional grants and receipts	(3 176 040)	5 507 852
Cash receipts from ratepayers, government and other	2 310 786 326	1 889 487 369
Gains on sale of Assets	(16 048 804)	-
Grants received	(442 364 521)	(372 805 552)
Sale of goods and services	1 852 373 002	1 516 681 816
Expenditure for the year	2 812 171 878	2 562 275 578
Adjustment for:-		
Depreciation	74 328 772	71 830 180
Contribution to bad debt provision	313 396 672	391 817 365
Adjusting non cash flow items prior errors	3 299 373	7 285 750
Interest paid	122 651 081	113 954 866
Operating expenditure before working capital changes:	2 298 495 980	1 977 387 418
(Increase)/Decrease in inventories	(18 655 451)	(18 904 465)
Increase/(Decrease) in Creditors	(632 537 766)	237 266 078
(Increase)/Decrease in Provisions and Employee Benefits	39 404 822	(1 658 962)
(Decrease)/Increase in VAT	109 707 209	(6 125 238)
Cash paid to suppliers and employees	2 800 577 166	1 766 810 005
Employee Costs	851 128 849	781 912 587
Supplier and other payments	1 949 448 316	984 897 418
Cash generated by/(utilized in) operations	(505 839 643)	122 677 363
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

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44. LONG-TERM LIABILITIES

Long-term Liabilities (See Note 18)	822 184 438	159 863 404
Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act. See detail information in Appendix A.		

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

	2024 R	2023 R	2022 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	-	-	-
Unauthorised Expenditure current year	-	-	-
Approved by Council	-	-	-
Unauthorised Expenditure awaiting authorisation	-	-	-

45.2 Fruitless and Wasteful Expenditure

	2024 R	2023 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	27 438 901	64 647 628
Fruitless and Wasteful Expenditure current year	40 733 895	100 574 734
Fruitless and Wasteful Expenditure incurred in the prior year identified in the current year	-	-
Fruitless and Wasteful Expenditure reversed (prior year audit correction)	(11 022 314)	-
Written off by Council	(25 888 100)	(137 783 460)
Fruitless and Wasteful Expenditure awaiting condonement	31 262 383	27 438 901

The incidents identified relating to the current or prior years has been reported to MPAC for investigation.

Incident	Amount	Causes
Interest on late payments.	402 223	Interest and penalties paid to ESKOM and ORANJE RIET WATER.
Settlement agreements.	23 153 236	Settlements paid to suppliers due to disputes.
Various incidents.	7 706 924	Legal claims and penalties from SARS against the municipality paid.

The Fruitless and Wasteful Expenditure incurred by the municipality in it's nature is zero – rated VAT and therefore the amounts disclosed above do not include VAT.

45.3 Irregular Expenditure

	2024 R	2023 R	2022 R
Reconciliation of Irregular Expenditure:			
Opening balance	184 935 243	276 872 869	471 054 998
Correction prior period error	(7 246 333)	-	-
Irregular Expenditure current year	53 681 268	78 357 386	121 591 091
Irregular Expenditure incurred in the prior year identified in the current year	10 938 622	64 300 285	32 983 694
Ratified by Accounting Officer	-	(234 595 296)	(348 756 914)
Written off by Council	(162 557 835)	-	-
Irregular Expenditure awaiting condonement	79 750 967	184 935 243	276 872 869

The incidents identified relating to the current or prior years has been reported to MPAC for investigation.

Incident	Amount	Causes
Non compliance with SCM regulations	65 908 487	Non-compliance: Deviation invalid (emergency/exceptional case)
Non compliance with SCM regulations	10 938 622	Non-compliance: Competitive bidding not followed Reg 19
Non compliance with SCM regulations	2 903 857	Non-compliance with SCM regulations - Various Contraventions with the SCM regulations

The nature of the above irregular expenditure have been disclosed, the extent is still under investigation. The amounts disclosed above is inclusive of VAT.

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46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	9 529 035	8 209 164
Amount Paid - current year	(9 529 035)	(8 209 164)
Balance Unpaid (included in Creditors)	-	-

46.2 Audit Fees

Opening Balance	12 064	85 011
Current year Audit Fee	8 072 426	6 640 724
Amount Paid - current year	(7 988 651)	(6 713 672)
Balance Unpaid (included in Creditors)	95 838	12 064

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE and UIF

Opening Balance	10 108 913	9 639 293
Current year Payroll Deductions	145 131 532	127 266 001
Amount Paid - current year	(132 975 290)	(117 157 088)
Amount Paid - previous years	(10 108 913)	(9 639 293)
Balance Unpaid (included in Creditors)	12 156 243	10 108 913

46.5 Pension and Medical Aid Deductions

Opening Balance	15 410 780	14 315 165
Current year Payroll Deductions and Council Contributions	192 895 662	180 851 440
Amount Paid - current year	(176 771 945)	(165 440 660)
Amount Paid - previous years	(15 410 780)	(14 315 165)
Balance Unpaid (included in Creditors)	16 123 717	15 410 780

46.6 Councillors arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2024	Total	Outstanding more than 90 days
KOCK KC	136	136
LOFF R R	49	49
BROWN JE	461	461
MATIKA N E	1 910	1 910
BADENHORST J & EL	1 337	1 337
KOK R & KE	3 434	3 434
WHITE M	2 974	2 974
JOHNSON E	1 619	1 619
AARON MC	10 719	10 719
WAGTER IB	24 082	24 082
NKUKANE E	26 692	26 692
RAMMUTLE CB	67 626	67 626
Total Councillor Arrear Consumer Accounts	141 039	141 039

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

30 June 2023	Total	Outstanding more than 90 days
MF WHITE	3 304	3 304
E JOHNSON	1 686	1 686
SE MOLALE	10 627	10 627
KC PHIRI	1 176	1 176
PM DIPHAHE	164 088	164 088
JA MESHA	151 932	151 932
E LEPHOI	109 190	109 190
KA MOLATUDI	88 116	88 116
KL METSIMETSI	150 149	150 149
KJ RIET	36 410	36 410
E NKUKANE	21 792	21 792
IB WAGTER	20 957	20 957
CB RAMMUTLE	59 319	59 319
MC AARON	7 512	7 512
JE BROWN	440	440
KC KOCK	123	123
Total Councillor Arrear Consumer Accounts	826 820	826 820

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act
No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to note 62).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 66,04%, 23 671 278kl (2023: 63,99%, 22 818 748 kl) is disclosed to the amount of:

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 24.42%, 113 227 933 kWh (2023: 29.38%, 136 602 168 kWh) is disclosed to the amount of:

2024 R	2023 R
85 381 138	77 947 877
192 263 663	197 509 664

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2024
R

2023
R

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (Continued)

46.10 Suppliers in service of the State

The municipality bought goods from the following companies, which are considered to be in service of the State.

Name Supplier	Related Person	Relationship/connection to service in State	Purchases for the year	Purchases for the year
Liquid Telecommunications	Reshaad Sha	Shareholder at Telkom & Vodacom	179 630	-
ASB AIRCONS AND TRADING	J Bezuidenhout	General Assistant	36 620	35 950
GAP ELETRICAL	J Joseph / D	SAPS		
	Lehane	NC JUSTICE		
	D Joseph/ K	ESKOM		
	Christian /PT	NC DEPT ECONOMIC		
	Christians	NC DEPT SPORTS ARTS,		
	D Christians /S	LENMED HOSPITAL		
	Wookey/F Kimmie	NC DEPT EDUCATION	1 643 078	1 230 430
SUEKATZ PTY LTD	Z Katz	Sol Plaatje Municipality	308 335	165 817
J&B COMMUNICATION	A Abbott	Working at IT	42 266	101 998
NB MECHANICALS	N Barnes	Department of Sports and Arts Culture	34 023 954	47 622 116
S & R ENTERPRISES	N Barnes	Department of Sports and Arts Culture	44 083 703	28 044 548
TOWEL AND GROENEWALDT	L Groenewaldt	NC Public Works - Senior Admin	452 343	358 019
CONLOG (PTY) LTD	N MOODLY	Department of Health	-	2 092 035
SONSKYN TUIN	NICOLA DAMON	TRANSNET HR	47 265	9 516
WORKRITE INDUSTRIES	F DOOLING	DEPARTMENT PUBLIC WORKS	46 586	336 085
PANPROP CC T/A VALUDATA	AJ DE KLERK	Sol Plaatje Municipality	104 000	148 500
ASHDASH CONSTRUCTION	M ARTHUR /	Sol Plaatje Municipality	-	18 898
	S ARTHUR			
VAN DE WALL INCORPORATED	OB Cronje/	Independent member of Frances Baard		
	JM Cronie	Planning Tribunal	2 361 031	1 223 365
QUALITY RUBBER STAMPS	P MODISANE	SAPS	35 823	4 280
AGRI AUTOMATE	WIFE	RMSH HOSPITAL		
	FATHER	MEMBER OF PARLIAMENT FOR DA	73 060	87 545
GIBB (PTY) LTD	D MOFFETT, N	DEPARTMENT RURAL		
	MANDLA, C	DEVELOPMENT, EC HUMAN		
	HERING, D	SETTLEMENT, DEPARTMENT OF		
	DAVIDS, H	TRANSPORT, CITY OF CAPE TOWN,		
	DAVIDS, C	ESKOM, DEPARTMENT OF		
	CLARK, A	EDUCATION	-	304 109
	DETERSON			
Lethabile Coaches	L Mildred	Depart of Education Northern Cape	8 645 545	7 693 835
Marce Projects (Pty) Ltd	JP Steyn/MLJ	Close family member in service of state	-	4 564 527
	Seale			
Mabuyi Development Planners (Pty) Ltd	TJP Lushaba	City of Mbombela Municipality		1 501 325
Makoloi Legacy General Trading	M Makoloi	SAPS - Northern Cape	766 390	49 343
NC Mud	D. I. Z Mooketsi	GDH - Acting Facility Manager	286 688	73 380
Plastic Packaging Cape (Pty) Ltd	M Isaacs	David Kruijer Municipality	724 970	1 214
Calandra Trading T/A Vodashop North			1 922	
Cape Mall	R Barlow	Spouse	3 997	9 223
Sueclae Enterprises	Spouse	Dep Environmental Affairs - Western	-	25 694
Lesae Trading	Spouse	Northern Cape Provincial Legislature	-	119 878
ATS Load Testing Services	Wife	Teacher	30 835	25 940
B and E Suppliers	H Mogapi	Dep of Health (Robert Sabukwe)	-	28 371
Mr Rons Enterprise	HB Japhta	Father was a Cllr since Sept 2021	77 420	54 880
FRG TRADERS	N Gool	Sol Plaatje Municipality	30 985	5 500
CLT Enterprise	J Harmse	Teacher - Kimberley Junior Primary	497 136	12 298
BB Services and Safes	C. Mbosa	DEPARTMENT OF HEALTH	14 080	16 226
Tennessee General Trading	B. Williams	TRANSNET FREIGHT RAIL	87 288	118 915
Jam Industries	S. Newman	TRANSNET YARD OFFICIAL	-	23 650
AA Du Plessis Builders	C. Du Plessis	DEPARTMENT OF TOURISM	29 415	18 998
RDT General Trading	K. Mohibidu	DEPARTMENT OF AGRICULTURE	413 000	-
Ketane ya Tiro	M.Meas	DEPARTMENT OF EDUCATION	166 895	170 226
Tripple Smooth Trading	S. Hoogstander	Sol Plaatje Municipality	52 610	20 148
Tinab Enterprise	K. Marumo	Provincial Treasury	134 033	-
Piet Muller Pharmacy	Y Van Dyk	Department of Social development	-	397
Wareatla pty ltd	K Oliphant	Traffic Department	8 660	-
K2014002877 ta Bokomosa	Mother	Northern Cape Provincial Legislature	379 680	-
Raff Kahder construction	F Kahder	Beacon Primary School -teacher	149 763	-
B AND G deco	J Taku	Sol Plaatje Municipality	28 538	-
Zuratri	List	List	613 443	-
Nomzwakes Tradings Services	G Sibisi	Sol Plaatje Municipality	9 796	-
BNK enterprise	T Bonokwane / J Bor	Housing / MM Assistant	5 880	-
ATMERALS ENTERPRISE	L Ntshoe	Transnet	13 980	-
Malaza KBY Projects	Father	COGHSTA	43 880	-
Coalition Trading 1237 t/a Creative Solutions	B Buang	NCEDA	25 910	-
KARS LOGISTICS	R Sunday	Public works	67 747	-
Umonde Tradino 518CC	M Bezert	TEACHER	291 200	-
Marce Fire Fighting Technology	M Seale	Eskom	4 540 375	-
Maquba Enterprise Pty Ltd	G Maquba	Sol Plaatje Municipality	58 261	-
SMEC South Africa	Ms Phosa	Member of National Assembly	527 986	-
Total Purchases			102 165 998	96 317 179

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure inclusive of VAT:

- **Approved and Contracted for:-**
Infrastructure

165 783 434

29 419 732

165 783 434

29 419 732

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48. FINANCIAL INSTRUMENTS		2024 R	2023 R
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Trade receivables from exchange transactions			
Electricity	Amortised cost	244 115 046	205 596 360
Refuse	Amortised cost	148 386 918	115 198 413
Sewerage	Amortised cost	190 086 939	148 137 755
Water	Amortised cost	537 459 552	483 794 796
Miscellaneous	Amortised cost	587 480 703	491 047 912
Market	Amortised cost	723 743	533 861
Housing Debtors	Amortised cost	53 662 345	38 130 268
Bank, Cash and Cash Equivalents			
Bank	Amortised cost	55 565 586	56 425 509
Call Deposits	Amortised cost	30 000 000	21 601 106
Notice Deposits	Amortised cost	28 374 365	28 374 365
Cash Floats and Advances	Amortised cost	11 560	11 560
		<u>1 875 866 757</u>	<u>1 588 851 905</u>
SUMMARY OF FINANCIAL ASSETS			
Amortised cost			
Short-term Investment Deposits	Notice Deposits	28 374 365	28 374 365
Trade receivables from exchange transactions	Electricity	244 115 046	205 596 360
Trade receivables from exchange transactions	Refuse	148 386 918	115 198 413
Trade receivables from exchange transactions	Sewerage	190 086 939	148 137 755
Trade receivables from exchange transactions	Water	537 459 552	483 794 796
Trade receivables from exchange transactions	Miscellaneous	587 480 703	491 047 912
Trade receivables from exchange transactions	Market	723 743	533 861
Trade receivables from exchange transactions	Housing Debtors	53 662 345	38 130 268
		<u>1 761 915 245</u>	<u>1 482 439 365</u>
Bank Balances and Cash	Cash Floats and Advances	55 577 146	56 437 069
Short-term Investment Deposits	Call Deposits	30 000 000	21 601 106
Total Financial Assets		<u>1 875 866 757</u>	<u>1 588 851 905</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Amortised cost	131 337 961	146 077 491
Finance Lease Liabilities	Amortised cost	8 260 234	255 926
Consumer Deposits			
Electricity and Water	Amortised cost	48 325 086	45 470 920
Creditors			
Trade Creditors	Amortised cost	514 463 800	1 158 128 552
Other Creditors	Amortised cost	725 096	725 096
Payments received in Advance	Amortised cost	47 659 293	59 457 592
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised cost	4 057 327	7 233 366
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	14 782 198	13 352 125
Finance Lease Liabilities	Amortised cost	5 848 614	177 861
		<u>775 459 609</u>	<u>1 430 878 930</u>
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	131 337 961	146 077 491
Long-term Liabilities	Finance Leases	8 260 234	255 926
Consumer Deposits	Electricity and Water	48 325 086	45 470 920
Payables from exchange transactions	Trade Creditors	514 463 800	1 158 128 552
Payables from exchange transactions	Other Creditors	725 096	725 096
Unspent Conditional Grants and Receipts	Conditional Grants from Government	4 057 327	7 233 366
Current Portion of Long-term Liabilities	Annuity Loans	14 782 198	13 352 125
Current Portion of Long-term Liabilities	Finance Leases	5 848 614	177 861
Payables from exchange transactions	Payments received in Advance	47 659 293	59 457 592
Total Financial Liabilities		<u>775 459 609</u>	<u>1 430 878 930</u>

48. FINANCIAL INSTRUMENTS (Continued)

48.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2024 R	2023 R
Net Debt	775 459 609	1 430 878 930
Equity	<u>2 982 832 867</u>	<u>2 696 127 753</u>
Net debt to equity ratio	26,00%	53,07%

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

48.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6.1 - 2 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality has very limited exposure to the financial risks of foreign currency. The foreign exchange loss for the financial period under review is not material. Refer to Financial Statement of Performance.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

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

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

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

2024
R

2023
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Amortised cost	30 000 000	21 601 106
Notice Deposits	Amortised cost	28 374 365	28 374 365
Bank Balances (overdraft)	Amortised cost	55 565 586	56 425 509
		113 939 951	106 400 980

Interest received

Interest Earned - External Investments	16 116 393	8 549 555
Interest rate	14%	8%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	13%	7%
Effect of change in interest rate	Rand value	14 976 993	7 485 545
Effect of change in interest rate	%	15%	9%
Effect of change in interest rate	Rand value	17 255 792	9 613 565

Outstanding debtors:

Trade receivables from exchange transactions	Amortised cost	1 761 915 245	1 482 439 365
Trade receivables from non-exchange transactions	Amortised cost	528 966 239	497 722 179
		2 290 881 485	1 980 161 545

Interest received

Interest Earned - Outstanding Debtors	258 041 428	199 982 189
Interest rate	11%	10%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	10%	9%
Effect of change in interest rate	Rand value	235 132 613	180 180 574
Effect of change in interest rate	%	12%	11%
Effect of change in interest rate	Rand value	280 950 243	219 783 805

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	131 337 961	146 077 491
Annuity Loans - current portion	Amortised cost	14 782 198	13 352 125
Finance Lease Liabilities	Amortised cost	14 108 848	433 788
Finance Lease Liabilities - current portion	Amortised cost	5 848 614	177 861
		146 120 159	159 429 616

Interest paid

Long-term Liabilities	122 651 081	113 954 866
Interest rate %	84%	71%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	83%	70%
Effect of change in interest rate	Rand value	121 189 879	112 360 570
Effect of change in interest rate	%	85%	72%
Effect of change in interest rate	Rand value	124 112 282	115 549 162

SOL PLAATJE LOCAL MUNICIPALITY
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48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2024

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		146 120 159	-	-	-	8 403 969	137 716 189
Loan No 102855/1 : DBSA	12,61%	8 403 969				8 403 969	
Loan No 103958/2 : DBSA	12,445%	137 716 189					137 716 189
Total Fixed Rate Instruments		146 120 159	-	-	-	8 403 969	137 716 189
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		58 374 365	30 000 000	28 374 365			
Bank Balances and Cash		11 560	11 560				
Total Variable Rate Instruments		58 385 925	30 011 560	28 374 365	-	-	-

30 June 2023

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		159 429 616	-	248 270	-	-	159 181 346
Loan No 102855/1 : DBSA	12,61%	9 719 068					9 719 068
Loan No 102855/3 : DBSA	6,75%	248 270		248 270			
Loan No 103958/2 : DBSA	12,445%	149 462 278					149 462 278
Total Fixed Rate Instruments		159 429 616	-	248 270	-	-	159 181 346
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		49 975 471	21 601 106	28 374 365			
Bank Balances and Cash		11 560	11 560				
Total Variable Rate Instruments		49 987 031	21 612 666	28 374 365	-	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2024

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		48 325 086					48 325 086
- Creditors		562 848 189	562 848 189				
- Unspent Conditional Grants		4 057 327		4 057 327			
Fixed Interest Rate Instruments							
Loan No 102855/1 : DBSA	12,61%	11 272 456	1 252 446	1 252 446	2 504 892	6 262 673	
Loan No 103958/2 : DBSA	12,45%	210 400 085	15 014 607	15 014 607	30 029 214	90 087 642	60 254 015
Finance Lease Liabilities		12 323 872		6 647 208	5 676 664		
Total		849 227 015	579 115 242	26 971 587	38 210 769	96 350 315	108 579 101

30 June 2023

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		45 470 920					45 470 920
- Creditors		1 218 311 240	1 218 311 240				
- Unspent Conditional Grants		7 233 366		7 233 366			
Fixed Interest Rate Instruments							
Loan No 102855/1 : DBSA	12,61%	15 029 349	1 252 446	1 252 446	2 504 892	7 514 675	2 504 892
Loan No 102855/3 : DBSA	6,75%	256 712	256 712				
Loan No 103958/2 : DBSA	12,45%	240 233 712	15 014 607	15 014 607	30 029 214	90 087 642	90 087 642
Finance Lease Liabilities		199 841		199 841	-		
Total		1 526 735 141	1 234 835 005	23 700 260	32 534 106	97 602 317	138 063 453

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2024 Gross Amount R	30 June 2023 Gross Amount R
Department of Public Works	570 037 043	633 163 091
De Beers Consolidated Mines	54 875 673	43 213 833
Ocean Echo Prop	30 592 270	
Northern Cape Department Of Health	53 005 274	44 703 077
Kimberley Engineering Works	31 300 721	25 926 955
Ekapa Resources (Pty) Ltd		14 089 018

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2024 R	2023 R
Fixed Deposit Investments	58 374 365	49 975 471
Trade Receivables from Exchange Transactions	1 761 915 245	1 482 439 365
Trade Receivables from Non-Exchange Transactions	514 328 389	480 979 435
Bank, Cash and Cash Equivalents	11 560	11 560
Maximum Credit and Interest Risk Exposure	2 334 629 560	2 013 405 831

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2024 R	2023 R
Households	1 420 868 600	1 272 098 328
Industrial/commercial	398 519 988	257 536 747
National and provincial government	471 492 896	450 526 470
Maximum Consumer Risk Exposure	2 290 881 485	1 980 161 545

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49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Employees and Councillors belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

All Retirement Funds are defined contribution plans. All the funds are multi-employer plans.

The total expense recognised in the Statement of Financial Performance represents contributions paid to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

68 032 798	64 392 019
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None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 100% as at 30 June 2015 and was in a sound financial position.

LA Retirement Fund/Cape Joint Pension Fund:

The statutory valuation performed as at 30 June 2022 revealed a funding level of 111,6% for the Pensioner Account and the Defined Contribution Section was 100% funded.

Consolidated Retirement Fund:

The valuator stated that Consolidated Retirement Fund is in a sound financial condition as at 30 June 2023.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2023 revealed that the fund has a funding level of 100,2% for the Preservation Pensions account, 120,1% for the Pension Account and the solvency reserve protects the Pension Account in the event of potential adverse experiences. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2020 the SALA pension fund was 86.1% funded. The valuator indicated that the financial position of the Fund has deteriorated further from the previous interim valuation.

Municipal Employees Pension Fund:

At the valuation date of 28 February 2017 the Municipal Employees Pension Fund was 100% funded. The valuator stated that the fund was in a sound position for the purposes of the Pension Fund Act, 1956.

National Fund for Municipal Workers:

At the valuation date of 30 June 2020 the National Fund for Municipal Workers the Valuator stated that the assets of the fund available for benefits are sufficient to cover 100.41% of the members' liabilities and the fund is within acceptable margins.

Municipal Workers Union Retirement Fund:

The Fund was formerly the South African Municipal Workers Union National Provident Fund. At the valuation date of 30 June 2017 the Fund was 100% (30 June 2014: 111.7%) funded. The valuator stated that the fund is in a sound financial position.

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

50.2 Services rendered to Related Parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

50.5 Related Parties (Municipal entities or Trusts)

Municipality has no related entities or trusts for the financial year under review.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

50. RELATED PARTY TRANSACTIONS (Continued)

50.6 Related Parties relationships

The municipality's key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

Name Supplier	Related Person	Financial Disclosure Records
Tyabashe-Kesiamang, Nomonde	Executive Director: Strategy,	Shares - JM & N Trading (CC member), Ngobile Planners
Bogacwi, Kaosieboriya Abraham	ED: Community Services	Shares - 751 Sanlam, 15000 BMFI, 700 Old Mutual. Dir/Partn: 6 Entities
Phuthi, Tebogo Ezekiel	HR Manager	Royal Phuthi Investments: Lewapi Mining.
Samolapo, Lebelo Kenneth	Accountant – Water & Lights Acting ED: Finance	Shares: Batsatsing Mining. Directorships & Partnerships: Batsatsing Mining.
Moyahi Winston, Modisa	Engineer - MM's office	100% consulting & Engineering - Moyahi & Ass. Cc
Kogisho John Brendon Sonyoni	Councillor	Bakangs traveling tours - Private Company
Badenhorst, Eleanor, Linzi	Councillor	Husband is Director of Afrikhaya Housing Development Agency.
Fourie, Ockert Cornelius	Councillor	Shares - Roodeheuwel Sand (Bpk) Minerals.
Joseph, George, Harold	Councillor	Directorships 1. GI Manufacturers – Manufacturing 2. The Zone (Partner) Marketing/Graphics – New business
Pearce Carol-Ann	Councillor	Directorship & Partnership- Women Liberation Trading (PTY)LTD.
Johnson, Elizabeth	Councillor	Dir/Partn: Santang - Tavern
Landella, Simphiwe Thandeka	Councillor	Shares: 200 Ordinary Shares - Welkom Yizani Shares, Dir/Partn: Omphilethabo General Trading
Louw, Petrus Johannes Francois	Councillor	PM Family Trust, CRF - Trustee
Mocwana, Pontsho Moses	Councillor	Dir/Part: Omphilethabo General - General Trading
Nathane, Poelo Elizabeth	Councillor	Dir/Part: Nathilicuis 84 - Private Company
Nkukane, Thapelo Edward	Councillor	Shares: 100 General Trading, Premier Attraction, Dir/Partn: Premier Attraction
Pietersen, Jahn	Councillor	Shares: 50% Parlour - Zintles Funerals. Dir/Partn: Zintles Funerals Parlour
Rammute, Casper Bongani	Councillor	Oomcas Trading - General
Reichert, Francois	Councillor	Dir/Partn: Eptocraft PTY LTD - Farming
Smit, Johan	Councillor	Dir/Partn: NC Debt Collectors and Tracers - Debt Collecting

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

51.2 Court Proceedings:

	2024 R	2023 R
	-	-
51.2.1 High Court matters	10 433 099	9 503 635
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	8 181 268	6 386 268
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	240 000	944 612
Various cases involving Council.		
51.2.4 Magistrate court matters	454 761	454 761
Various cases involving Council.		
	19 309 128	17 289 276

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2024, the implementation of task outcomes on employees revaluated were not finalised as yet. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

- 780 000

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance during the year under review.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Note 60. Budget and actual figures are presented on a comparable basis (accrual basis of accounting).

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2023/24 financial year.

56. EVENTS AFTER THE REPORTING DATE

After the end of the financial year, a Council meeting held on 5 September 2024 resulted in the writing off of irregular, fruitless and wasteful expenditure which related to the year under audit. The amount of irregular expenditure of R162 557 835 and fruitless and wasteful expenditure amounting to R25 888 100 was written off as per the recommendation of MPAC, which had conducted its investigations during the year. Management identified this as a adjusting subsequent event that may potentially have a significant impact on the Annual Financial Statements to be reported. No further adjusting subsequent events were identified.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. DISCONTINUED OPERATIONS

No operations have been discontinued.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	2024 R	2023 R
59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE		
At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:		
GRAP 103: Heritage Assets (revised Standard) - not yet effective.		
GRAP 104: Financial instruments (revised Standard) - not yet effective.		
The Above-mentioned standards and interpretations which are relevant to the municipality will be adopted once they become effective.		
Application of the other GRAP standards and guidelines above will be effective from a date to be announced by the Minister of Finance.		

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

60. PRINCIPAL - AGENT ARRANGEMENTS

60.1 Principal in Principal-Agent Arrangement (Material) (Ontech)

The Sol Plaatje Local Municipality is the Principal in the Principal-Agent arrangement with ONTEC SYSTEMS PTY LTD. ONTEC SYSTEMS PTY LTD undertakes prepaid electricity sales through the use of third party vendors on behalf of Sol Plaatje Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions to the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

Compensation paid for agency activities

Commission and administrative fees	<u>9 871 520</u>	<u>9 846 827</u>
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Sol Plaatje Local municipality paid 2.13% commission and other administrative costs to ONTEC SYSTEMS PTY LTD for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of Sol Plaatje Local Municipality under the custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not of the municipality. There are no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction of service points.

60.2 Agent in arrangement

The Sol Plaatje Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from the salaries of municipal employees on behalf of the principals in exchange for commission of 2.5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal agent arrangements.

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

Compensation received for agency activities

Commission (Payroll deductions)	813 239	698 414
Commission (Transport, Safety and Liaison)	<u>1 336 697</u>	<u>1 520 387</u>
Total Compensation received	<u>2 149 936</u>	<u>2 218 801</u>

Sol Plaatje Local Municipality was paid 2.5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

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

Resources under custodianship of agent

There are no resources of the principal under the custodianship of Sol Plaatje Local Municipality, nor have they been recognised as such.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

61 BUDGET VS ACTUAL COMPARATIVE INFORMATION

61.1 Revenue and Expenditure

	2024 Actual	2024 Original Budget	2024 Adjustment	2024 Final Budget	2024 Variance Original vs Final Budget %	2024 Explanation of variances greater than 10% Original versus Final Budget	2024 Variance Actual vs Final Budget R	2024 Variance Actual vs Final Budget %	2024 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	%				
REVENUE									
Property Rates	656 442 329	660 893 479	-	660 893 479	0%		(4 451 150)	-1%	
Service Charges	1 331 093 241	1 517 255 535	(66 670 000)	1 450 585 535	-4%		(119 492 294)	-8%	
Rental of Facilities and Equipment	28 850 882	26 930 000	1 200 000	28 130 000	4%		720 882	3%	
Interest Earned - External Investments	16 116 393	7 000 000	2 500 000	9 500 000	36%	Increase in investments.	6 616 393	70%	Due to interest rate hikes.
Interest Earned - Outstanding Statutory receivables	96 761 065	-	-	-	0%		96 761 065	0%	Split of interest as a result of implementation of GRAP 108.
Interest Earned - Outstanding Trade receivables	161 280 363	168 880 000	81 520 000	250 400 000	48%	Increase in debtors and interest.	(89 119 637)	-36%	Split of interest as a result of implementation of GRAP 108.
Availability service charges non-exchange transactions	49 298 636	-	44 680 000	44 680 000	0%		4 618 636	10%	New budget created, previously under service charges.
Fines	56 766 715	30 660 000	7 250 000	37 910 000	24%	Increase in income on fines and disconnections.	18 856 715	50%	Increase in income on fines and disconnections.
Licenses and Permits	7 169 376	7 350 000	-	7 350 000	0%		(180 624)	-2%	
Government Grants and Subsidies	445 540 560	496 154 000	(47 202 000)	448 952 000	-10%	Decrease in gazetted grants.	(3 411 440)	-1%	
Public Contributions and Donations	215 206 290	-	-	-	0%		215 206 290	0%	
Other Income	18 302 339	18 713 780	1 800 000	20 513 780	10%	Increase in income.	(2 211 441)	-11%	Income not realising.
Gains on sale inventory land	16 048 804	-	1 100 000	1 100 000	0%		14 948 804	1359%	Big transaction not budgeted.
Total Revenue	3 098 876 992	2 933 836 794	26 178 000	2 960 014 794	1%		138 862 198	5%	Due to decrease in service charges and interest.
EXPENDITURE									
Employee Related Costs	910 544 126	881 637 275	28 728 600	910 365 875	3%		178 251	0%	
Remuneration of Councillors	33 868 942	35 558 951	-	35 558 951	0%		(1 690 009)	-5%	
Impairment Losses	333 145 727	317 500 000	-	317 500 000	0%		15 645 727	5%	
Depreciation	74 328 772	86 650 000	-	86 650 000	0%		(12 321 228)	-14%	Decrease in depreciation
Finance Costs	122 651 081	19 494 706	1 160 000	20 654 706	6%	Increase in interest on overdue accounts.	101 996 375	494%	Eskom interest to be reversed still on account.
Bulk Purchases	787 457 231	785 000 000	5 100 000	790 100 000	1%		(2 642 769)	0%	
Contracted services	45 090 000	48 113 000	8 800 000	56 913 000	18%	Adjusting expenditure upwards.	(11 823 000)	-21%	Actual expenditure lower than anticipated.
Grants and Subsidies Paid	2 526 435	4 560 000	(1 000 000)	3 560 000	-22%	Reducing expenditure.	(1 033 565)	-29%	Due to saving on expenditure. Cash flow and Cost containment.
General Expenses - Other	412 247 142	451 538 450	44 069 915	495 608 365	10%	Adjusting expenditure upwards.	(83 361 223)	-17%	Due to saving on expenditure. Cash flow and Cost containment.
Losses on Inventory	85 525 994	61 200 000	4 800 000	66 000 000	8%	Actual water losses higher than budgeted.	19 525 994	30%	Actual water losses higher than budgeted.
Foreign Exchange Loss	2 674 066	-	-	-	0%		2 674 066	0%	Due to devaluating of the Rand.
Impairment of property, plant and equipment	2 112 363	-	-	-	0%		2 112 363	0%	
Total Expenditure	2 812 171 878	2 691 252 382	91 658 515	2 782 910 897	3%	Adjusting expenditure upwards.	29 260 981	1%	Due to the savings in general.
NET SURPLUS/(DEFICIT) FOR THE YEAR	286 705 114	242 584 412	(65 480 515)	177 103 897	-27%	Adjusting expenditure upwards.	109 601 217	62%	Due to the income not realising.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.2 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Directorate	2024 Actual Additions	2024 Work in Progress Additions	2024 Total Additions	2024 Original Budget	2024 Adjustment	2024 Final Budget	2024 Variance Original vs Final Budget %	2024 Explanation of variances greater than 10% Original versus Final Budget	2024 Variance Actual vs Final Budget R	2024 Variance Actual vs Final Budget %	2024 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R	%		R	%	
Executive and Council	-	-	-	-	-	-	0%		-	0%	
Municipal General	5 204 126	3 948 152	9 152 278	19 500 000	1 322 900	20 822 900	7%	Budget increased.	(11 670 622)	-56%	Projects not completed.
Municipal Manager	-	-	-	-	-	-	0%		-	0%	
Corporate Services	-	-	-	-	-	-	0%		-	0%	
Community Services	-	-	-	-	-	-	0%		-	0%	
Financial Services	-	-	-	-	-	-	0%		-	0%	
Strategic and Economic Development	-	-	-	-	-	-	0%		-	0%	
Infrastructure and Services	338 476	139 772 292	140 110 768	229 973 000	(34 056 900)	195 916 100	-15%	Grants decreased.	(55 805 332)	-28%	Projects not completed.
TOTAL	5 542 602	143 720 444	149 263 046	249 473 000	(32 734 000)	216 739 000	-13%	Grants decreased.	(67 475 954)	-31%	Projects not completed.

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.3 Cash Flow

	2024 Actual	2024 Original Budget	2024 Adjustment	2024 Final Budget	2024 Variance Original vs Final Budget %	2024 Explanation of variances greater than 10% Original versus Final Budget	2024 Variance Actual vs Final Budget R	2024 Variance Actual vs Final Budget %	2024 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
CASH FLOWS FROM OPERATING ACTIVITIES									
Grants received	442 364 521	496 154 000	(47 202 000)	448 952 000	-11%	Decrease in grants allocation.	(6 587 479)	-1%	
Sale of goods and services	1 852 373 002	1 801 812 000	(36 617 017)	1 765 194 983	-2%		87 178 019	5%	
Employee Costs	(851 128 849)	(917 196 000)	(28 728 826)	(945 924 826)	3%		94 795 977	-10%	Due to freezing of filling of positions and valutors report.
Supplier payments	(1 287 492 885)	(1 298 311 000)	51 313 913	(1 349 624 913)	-4%		62 132 028	-5%	Decrease in general spending.
Cash generated from / (utilised in) Operations	156 115 788	82 459 000	(106 404 104)	(81 402 756)					
Interest received	274 157 821	175 880 000	84 020 000	259 900 000	32%	Increase in interest on debtors accounts.	14 257 821	5%	Realignment of mSCOA data strings will pull budgets in line.
(Increase) / decrease in Interest Receivables	(110 505 641)	-	-	-	0%		(110 505 641)	0%	Realignment of mSCOA data strings will pull budgets in line.
Interest paid	(122 651 081)	(19 495 000)	(559 706)	(20 054 706)	3%		(102 596 375)	512%	Due to interest paid on overdue accounts.
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	197 116 888	238 844 000	(22 943 810)	158 442 538					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(149 263 046)	(213 757 000)	(2 982 000)	(216 739 000)	1%	Decrease in grants allocation.	67 475 954	-31%	Realignment of mSCOA data strings will pull budgets in line.
Purchase of Intangible Assets	(19 919 168)	-	-	-			(19 919 168)	0%	Realignment of mSCOA data strings will pull budgets in line.
Purchase of Investment Property	-	-	-	-			-	0%	
Proceeds on Disposal of Property, Plant and Equipment	2 050 320	-	1 100 000	1 100 000	0%	Increase in budget.	950 320	0%	
Proceeds on Disposal of Assets	14 222 508	-	-	-			14 222 508	0%	
Proceeds on Disposal of Investment Property	-	-	-	-			-	0%	
(Increase) / decrease in Long-term Receivables	-	-	-	-			-	0%	
Donation of Property, Plant and Equipment	-	-	-	-			-	0%	Not budgeted.
Increase / (decrease) in Capital Payables	(22 925 285)	-	-	-			(22 925 285)	0%	Not budgeted.
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(175 834 671)	(213 757 000)	(1 882 000)	(215 639 000)					
CASH FLOWS FROM FINANCING ACTIVITIES									
New Finance leases/Finance lease payments	(433 788)	-	-	-	0%		(433 788)	0%	Realignment of mSCOA data strings will pull budgets in line.
Loans repaid	(13 309 458)	(13 351 000)	(420)	(13 351 420)	0%		41 962	0%	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(13 743 246)	(13 351 000)	(420)	(13 351 420)					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7 538 972	11 736 000	(82 283 882)	(70 547 882)					
Cash and Cash Equivalents at the beginning of the year	106 412 540	198 307 000	76	198 307 076					
Cash and Cash Equivalents at the end of the year	113 951 511	210 043 000	(82 283 806)	127 759 194					

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.4 Statement of Financial Position

	2024 Actual	2024 Original Budget	2024 Adjustment	2024 Final Budget	2024 Variance Original vs Final Budget %	2024 Explanation of variances greater than 10% Original versus Final Budget	2024 Variance Actual vs Final Budget R	2024 Variance Actual vs Final Budget %	2024 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
ASSETS									
Current Assets	2 483 250 977	3 401 686 849	(22 890 900)	3 378 795 949					
Inventory	112 013 463	27 460 551	-	27 460 551	0%		84 552 912	308%	Transfers from Investment Properties.
Trade Receivables from Exchange Transactions	1 737 724 634	734 354 197	78 221 500	812 575 697	10%	Budget allocation correction.	925 148 937	114%	Wrong budget allocation receivables.
Statutory Receivables from Non-Exchange Transactions	504 923 519	2 173 121 868	-	2 173 121 868	0%		(1 668 198 349)	-77%	Wrong budget allocation receivables.
Trade Receivables from Non-Exchange Transactions	14 637 850	-	-	-	0%		14 637 850	0%	Budget allocation split not done according to GRAP 108.
Cash and Cash Equivalents	113 951 511	174 326 594	(101 112 400)	73 214 194	-138%	Budget allocation correction.	40 737 317	56%	Increase in Cash on year end.
Statutory Receivable from Exchange Transactions	-	292 423 639	-	292 423 639	0%		(292 423 639)	0%	Budget allocation split not done according to GRAP 108.
Non-Current Assets	2 393 630 638	2 466 074 458	(32 734 000)	2 433 340 458					
Property, Plant and Equipment	2 100 105 544	2 190 938 877	(48 979 000)	2 141 959 877	-2%		(41 854 333)	-2%	
Heritage Assets	12 070 884	12 070 884	-	12 070 884	0%		0	0%	
Intangible Assets	46 592 291	3 492 273	18 850 000	22 342 273	84%	Reallocation of assets.	24 250 018	109%	Correction on asset class.
Investment Property	201 266 437	223 856 077	(2 605 000)	221 251 077	-1%		(19 984 640)	-9%	Transfer to Inventory.
Trade Receivables from Exchange Transactions	24 190 612	35 716 347	-	35 716 347	0%		(11 525 735)	-32%	Clean up of debtors arrangements entered into.
Statutory Receivables from Non-Exchange Transactions	9 404 870	-	-	-	0%		9 404 870	0%	Budget allocation split not done according to GRAP 108.
Total Assets	4 876 881 615	5 867 761 307	(55 624 900)	5 812 136 407					
LIABILITIES									
Current Liabilities	800 735 762	1 081 103 159	9 855 615	1 090 958 774					
Consumer Deposits	48 325 086	49 390 629	-	49 390 629	0%		(1 065 543)	-2%	
Employee Benefits	86 374 371	94 029 066	-	94 029 066	0%		(7 654 695)	-8%	
Payables from Exchange Transactions	562 848 189	937 683 464	9 855 615	947 539 079	1%		(384 690 890)	-41%	Increase in creditors due to cash flow constraints.
Unspent Conditional Grants and Receipts	4 057 327	-	-	-	0%		4 057 327	0%	Grants not spend at year end.
Current Portion of Long-term Liabilities	20 630 811	-	-	-	0%		20 630 811	0%	Budget to be split between Long-term and current.
Non-Current Liabilities	1 093 312 985	443 823 568	-	443 823 568					
Long-term Liabilities	801 553 626	158 165 884	-	158 165 884	0%		643 387 742	407%	Budget to be split between Long-term and current.
Employee Benefit Liabilities	290 713 766	285 657 684	-	285 657 684	0%		5 056 082	2%	
Non-current Provisions	1 045 593	-	-	-	0%		1 045 593	0%	
Total Liabilities	1 894 048 748	1 524 926 727	9 855 615	1 534 782 342					
Total Assets and Liabilities	2 982 832 867	4 342 834 580	(65 480 515)	4 277 354 065					
NET ASSETS	2 982 832 867	4 342 834 580	(65 480 515)	4 277 354 065					
Accumulated Surplus	2 982 832 867	4 342 834 580	(65 480 515)	4 277 354 065	-2%		(1 294 521 198)	-30%	Decrease in income and prior year error corrections.
Total Net Assets	2 982 832 867	4 342 834 580	(65 480 515)	4 277 354 065					

DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial	Line Manager	Motivation
01/2023/2024	Onkabetse Civils and Mining, Gem Con pty ltd, Giofaone	External hiring of vehicles and machinery (Approval to source quotations from the existing)	1 981 518	Oduetse Mokale	Exceptional Case
02/2022/2023	Njano Industrial Service Pty Ltd	Rental of high pressure combination jetting truck	564 373	David Leeuw	Exceptional Case
04/2023/2024	Gem Con Pty Ltd; Onkabetse Civils and mining cc; Giofaone Supplies and Delivery; Kukhulu Plant Hire	Approval to source quotations from the existing pool of contractors for external hiring of vehicles and machinery	1 753 060	Oduetse Mokale	Exceptional Case
05/2023/2024	Vermeulens Built It	Purchasing of jojo tanks for municipal water interruptions	61 056	Marcel Authur	Exceptional Case
06/2023/2024	C-Pac Pumps and Valves; Bernard Charles Enterprises; Newgen Pumps and Valves; Suekats Pty Ltd, Trustworthy Holdings	Contractors for Municipal Emergency Water Interruptions	700 000	Marcel Authur	Exceptional Case
07/2023/2024	Khans Catering, Makoloi Legacy, Thato ya one	Catering for municipal emergency water interruption	550 130	Marcel Authur	Exceptional Case
08/2023/2024	C-Pac Pumps & Pumps; Newgen Pumps & Valves	Purchasing of air and gate valves for municipal emergency water shutdown	355 632	Marcel Authur	Exceptional Case
09/2023/2024	Keatlegile Investments; NC Mud Pty Ltd; RDT General trading Pty Ltd; Zumevision; Keane Holdings Pty Ltd, STG Holdings; Monde Trading	Rental of Trucks for Municipal Emergency Water Interruptions	2 562 000	Marcel Authur	Exceptional Case
10/2023/2024	MVD Kalahari Town and Regional Planners	The proposed closure of Public Open Space, Subdivision and rezoning of a portion of the remainder of erf 24436 Galeshewe (soul City); and the rezoning, subdivision and closure of public spaces for various erven (churches) - Sol Plaatje Local Municipality	378 513	N Modiba	Exceptional Case
11/2023/2024	Kukhulu Plant Hire Pty Ltd; Gemcon Pty Ltd; C-Pac Pumps & Valves	External hiring of machinery for municipal water interruptions	1 975 739	David Leeuw	Exceptional Case
12/2023/2024	Esri South Africa	Esri Capped Enterprise Licence Agreement Renewal	951 304	Rashile Chauke	Sole Provider
14/2023/2024	GiofaonePty Ltd, Gem Con Pty Ltd, Onkabetse Civils & Mining	Approval to source quotations from the existing pool of contractors for external hiring of vehicles and machinery	3 567 360	Oduetse Mokale	Exceptional Case
16/2023/2024	Newgen Pumps Pty Ltd	Emergency service delivery intervention installation and protection of temporal pumping equipment at sewer pump stations, in Roodepan and Carters Glen	374 396	Mr Marcel Arthur	Emergency
17/2023/2024	GiofaonePty Ltd, Gem Con Pty Ltd, Onkabetse Civils & Mining	Approval to source quotations from existing contractors for external hiring of vehicles and machinery	3 320 328	Oduetse Mokale	Exceptional Case
18/2023/2024	Witkop Flourspar Mine Pty Ltd t/a Salica	Supply and Delivery of filter media (Sand) at Riverton Water Treatment Works	329 170	Blessing Mukosi	Emergency
19/2023/2024	Novus3	Review of the Capital Expenditure Framework	1 466 250	Ms V Mpetuka	Exceptional Case
20/2023/2024	Cpac Pumps & valves	Supply and Delivery of filter media (Sand) at Riverton Water Treatment Works	299 081	Blessing Mukosi	Emergency
21/2023/2024	Msech Pty Ltd	Medical screening services of new employees	115 598	Raymond Mzwandile	Exceptional Case
22/2023/2024	Trek Scale Company	Calibration, Testing and Verifying of a 80 Ton Toledo IND560 Weighbridge	2 106 304	K.L Louw / V. Julius	Sole Provider
23/2023/2024	Dawson Lemma Arts And Crafts Pty Ltd	Special Artsworks at the office of the municipal manager and council chambers	300 000	Thoko Riet	Work of art
25/2023/2024	Cerimele Construction Company Pty Ltd	Unplanned water shutdown - repairs if the major two leaks at midstation on a 600mm diameter pipe and the Sunset at 900mm diameter pipe (contractor)	619 399	Blessing Mukosi	Emergency
26/2023/2024	Newgen Valves and Pumps, Irrigation Equipment Supplies, Agri Automate Pty Ltd	Emergency water shutdown - Repairs of two major leaks at Midstation on a 600mm diameter pipe and the Sunset at a 900mm diameter pipe (hire pumps)	131 885	Blessing Mukosi	Emergency
27/2023/2024	Newgen Valves and Pumps, Zumevision, Umonde Trading 518, Gem Con, Reabetswe Kabelo cc, Kopano Lesedi Investment, Youthful and Hopeful Retailer, Diamond Creative Vision hub, Composure General Construction, Mud NC, Desmond Investments, Thato ya One General Trading, K2014002877 South africa, Keane Holdings, Goazabamang General Trading, Buhkay Group, Mamepe Energy Pty Ltd, Kwenakgosi Trading, Mshiyeni Business Trading, Kenako Diamonds, Kgokamare Pty Ltd, Sophia Excellence Driving Academy,	Emergency water shutdown - Repairs of the major two leaks at Midstation on a 600mm diameter pipe and the Sunset at a 900mm diameter pipe (Distribution of water during shutdown))	2 277 304	Blessing Mukosi	Emergency
28/2023/2024	Silver Lake Trading 305 T/A opulentia financial services	Provision of short term insurance brokerage services	1 217 530	David Chabalala	Exceptional Case

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

63 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

63.1 Statement of Financial Performance per directorate

	2024 Original Budget	2024 Adjustment	2024 Final Budget	2024 Variance Original vs Final Budget %	2024 Explanation of variances greater than 10% Original versus Final Budget	2024 Actual Income & Expenditure R	2024 Variance Actual vs Final Budget R	2024 Variance Actual vs Final Budget %	2024 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R						
Income per directorate									
Municipal General	580 455 000	(41 978 000)	538 477 000	-7%		564 113 678	25 636 678	5%	
Corporate Services	6 961 480	300 000	7 261 480	4%		5 391 461	(1 870 019)	-26%	Unspent funds on ISDG.
Community Services	109 494 909	11 356 000	120 850 909	10%	Increases income.	134 819 500	13 968 591	12%	Increase in fines and services.
Financial Services	683 585 479	7 200 000	690 785 479	1%		701 886 572	11 101 093	2%	
Strategic and Economic Development	8 015 000	19 900 000	27 915 000	248%	Increase in grants and other income.	26 097 775	(1 817 225)	-7%	
Infrastructure and Services	1 545 324 926	29 400 000	1 574 724 926	2%		1 666 568 006	91 843 080	6%	
Total	2 933 836 794	26 178 000	2 960 014 794	1%		3 098 876 992	138 862 198	5%	
Expenditure per directorate									
Executive and Council	59 173 345	454 400	59 627 745	1%		59 614 807	(12 938)	0%	
Municipal General	376 468 020	22 933 100	399 401 120	6%		395 575 665	(3 825 455)	-1%	
Municipal Manager	26 161 385	2 540 100	28 701 485	10%	Increase in expenditure.	27 607 291	(1 094 194)	-4%	
Corporate Services	81 958 500	(4 690 000)	77 268 500	-6%		71 184 109	(6 084 391)	-8%	
Community Services	305 712 300	16 518 515	322 230 815	5%		314 918 174	(7 312 641)	-2%	
Financial Services	156 154 610	4 094 500	160 249 110	3%		134 722 166	(25 526 944)	-16%	Saving on vacancies not filled and expenditure in general.
Strategic and Economic Development	63 287 089	4 190 400	67 477 489	7%		60 672 480	(6 805 009)	-10%	Saving on vacancies not filled and expenditure in general.
Infrastructure and Services	1 622 337 133	45 617 500	1 667 954 633	3%		1 731 623 907	63 669 274	4%	
Loss Actuarial Assesments	-	-	-	0%		16 253 277	16 253 277	0%	Not budgeted under gains or losses.
Total	2 691 252 382	91 658 515	2 782 910 897	3%		2 812 171 878	29 260 981	1%	Due to cost containment.
Surplus/(Deficit)	242 584 412	(65 480 515)	177 103 897	-27%	Increase in expenditure.	286 705 114	109 601 217	62%	Income not realising and expenditure savings.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

63 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Continued)

63.2 Statement of Financial Performance per directorate

	2024	2024	2024	2024	2024	2024	2024	2024	2024
	Executive and Council	Municipal General	Municipal Manager	Corporate Services	Community Services	Financial Services	Strategic and Economic Development	Infrastructure and Services	Total
	R	R	R	R	R	R	R	R	R
REVENUE									
Property Rates	-	-	-	-	-	656 442 329	-	-	656 442 329
Service Charges	-	-	-	-	75 113 780	-	-	1 255 979 460	1 331 093 241
Rental of Facilities and Equipment	-	-	-	-	35 616	-	178 255	28 637 011	28 850 882
Interest Earned - External Investments	-	16 116 393	-	-	-	-	-	-	16 116 393
Interest Earned - Outstanding Statutory receivables	-	96 761 065	-	-	-	-	-	-	96 761 065
Interest Earned - Outstanding Trade receivables	-	21 112 816	-	-	18 609 157	-	-	121 558 390	161 280 363
Availability service charges non-exchange transactions	-	-	-	-	389 555	-	-	48 909 080	49 298 636
Fines	-	-	-	-	13 827 481	42 939 234	-	-	56 766 715
Licenses and Permits	-	-	-	-	7 169 376	-	-	-	7 169 376
Government Grants and Subsidies	-	408 436 041	-	3 775 826	12 666 000	1 700 000	18 850 000	112 693	445 540 560
Public Contributions and Donations	-	4 831 240	-	-	-	-	-	210 375 050	215 206 290
Other Income	-	807 321	-	1 615 635	7 008 534	805 009	7 069 520	996 320	18 302 339
Gains on sale inventory land	-	16 048 804	-	-	-	-	-	-	16 048 804
Total Revenue	-	564 113 678	-	5 391 461	134 819 500	701 886 572	26 097 775	1 666 568 006	3 098 876 992
EXPENDITURE									
Employee Related Costs	21 537 597	66 696 309	21 487 821	66 203 233	276 235 250	125 773 459	52 836 548	279 773 909	910 544 126
Remuneration of Councillors	33 868 942	-	-	-	-	-	-	-	33 868 942
Impairment Losses	-	170 549 091	-	-	-	-	-	164 708 998	335 258 089
Depreciation	-	47 263 035	-	-	780 500	-	-	26 285 238	74 328 772
Finance Costs	-	1 004 551	-	-	-	-	-	121 646 530	122 651 081
Bulk Purchases	-	-	-	-	-	-	-	787 457 231	787 457 231
Contracted services	-	22 543 576	5 661 841	-	494 674	289 814	205 565	15 894 529	45 090 000
Grants and Subsidies Paid	-	2 400 000	-	-	126 435	-	-	-	2 526 435
General Expenses - Other	4 208 268	98 553 459	457 628	4 980 876	37 281 315	8 658 894	7 630 367	250 476 334	412 247 142
Losses on Inventory	-	144 855	-	-	-	-	-	85 381 138	85 525 994
Losses on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	-
Foreign Exchange Loss	-	2 674 066	-	-	-	-	-	-	2 674 066
Total Expenditure	59 614 807	411 828 942	27 607 291	71 184 109	314 918 174	134 722 166	60 672 480	1 731 623 907	2 812 171 878
NET SURPLUS/(DEFICIT) FOR THE YEAR	(59 614 807)	152 284 736	(27 607 291)	(65 792 648)	(180 098 674)	567 164 405	(34 574 705)	(65 055 902)	286 705 114

	2023	2023	2023	2023	2023	2023	2023	2023	2023
	Executive and Council	Municipal General	Municipal Manager	Corporate Services	Community Services	Financial Services	Strategic and Economic Development	Infrastructure and Services	Total
	R	R	R	R	R	R	R	R	R
REVENUE									
Property Rates	-	-	-	-	-	610 991 037	-	-	610 991 037
Service Charges	-	-	-	-	66 890 316	-	-	1 115 776 422	1 182 666 738
Rental of Facilities and Equipment	-	-	-	-	34 485	12 971 211	175 645	12 819 044	26 000 384
Interest Earned - External Investments	-	8 549 555	-	-	-	-	-	-	8 549 555
Interest Earned - Outstanding Statutory receivables	-	82 989 796	-	-	-	-	-	-	82 989 796
Interest Earned - Outstanding Trade receivables	-	12 687 536	-	-	13 574 228	-	-	90 730 629	116 992 393
Availability service charges non-exchange transactions	-	-	-	-	708 122	-	-	3 328 863	4 036 985
Fines	-	-	-	-	15 768 692	43 692 931	-	-	59 461 622
Licenses and Permits	-	-	-	-	9 020 708	-	-	-	9 020 708
Government Grants and Subsidies	-	355 249 881	-	3 855 671	12 000 000	1 700 000	-	-	372 805 552
Public Contributions and Donations	-	3 387 299	-	-	-	-	-	-	3 387 299
Other Income	-	50 932	-	1 576 694	6 397 379	1 163 989	9 728 728	1 058 526	19 976 247
Gains on sale inventory land	-	5 890 915	-	-	-	-	-	-	5 890 915
Total Revenue	-	468 805 914	-	5 432 365	124 393 929	670 519 168	9 904 373	1 223 713 484	2 502 769 233
EXPENDITURE									
Employee Related Costs	21 096 633	19 682 911	18 125 499	63 534 776	257 563 005	113 259 569	50 886 692	242 515 960	786 665 044
Remuneration of Councillors	33 231 386	-	-	-	-	-	-	-	33 231 386
Impairment Losses	-	236 747 381	-	-	-	-	-	142 000 000	378 747 381
Depreciation	-	44 771 495	-	-	772 983	-	-	26 285 702	71 830 180
Finance Costs	-	1 887 238	-	-	-	-	-	112 067 628	113 954 866
Bulk Purchases	-	-	-	-	-	-	-	672 362 000	672 362 000
Contracted services	44 238	6 599 415	3 465 400	-	393 000	809 385	192 592	16 781 407	28 285 436
Grants and Subsidies Paid	-	2 469 094	-	-	129 824	-	-	-	2 598 918
General Expenses - Other	5 029 999	86 852 270	777 688	4 634 226	35 188 930	17 178 902	6 493 391	239 625 222	395 780 628
Losses on Inventory	-	120 708	-	-	-	-	-	77 947 877	78 068 584
Foreign Exchange Loss	-	751 155	-	-	-	-	-	-	751 155
Total Expenditure	59 402 256	399 881 667	22 368 586	68 169 001	294 047 743	131 247 855	57 572 675	1 529 585 795	2 562 275 578
NET SURPLUS/(DEFICIT) FOR THE YEAR	(59 402 256)	68 924 248	(22 368 586)	(62 736 637)	(169 653 813)	539 271 312	(47 668 303)	(305 872 311)	(59 506 346)

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

63 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Continued)

63.3 Statement of Financial Position per directorate

	2024	2024	2024	2024	2024	2024	2024	2024	2024
	Executive and Council R	Municipal General R	Municipal Manager R	Corporate Services R	Community Services R	Financial Services R	Strategic and Economic Development R	Infrastructure and Services R	Total R
ASSETS									
Current Assets	-	652 336 748	-	-	236 196 524	-	191 261	1 594 526 445	2 483 250 977
Inventory		64 140 057						47 873 406	112 013 463
Trade Receivables from Exchange Transactions		(45 124 929)			236 196 524			1 546 653 039	1 737 724 634
Statutory Receivables from Non-Exchange Transactions		504 923 519							504 923 519
Trade Receivables from Non-Exchange Transactions		13 485 824					1 152 026 (960 766)		14 637 850
Cash and Cash Equivalents		114 912 277							113 951 511
Non-Current Assets	-	1 087 979 898	-	-	1 132 574	-	47 433 926	1 257 084 240	2 393 630 638
Property, Plant and Equipment		827 902 676			1 132 574		13 986 054	1 257 084 240	2 100 105 544
Heritage Assets		12 070 884							12 070 884
Intangible Assets		13 144 419					33 447 872		46 592 291
Investment Property		201 266 437							201 266 437
Trade Receivables from Exchange Transactions		24 190 612							24 190 612
Statutory Receivables from Non-Exchange Transactions		9 404 870							9 404 870
Total Assets	-	1 740 316 646	-	-	237 329 097	-	47 625 187	2 851 610 685	4 876 881 615
LIABILITIES									
Current Liabilities	-	494 671 304	-	-	-	2 400	191 261	305 870 798	800 735 762
Consumer Deposits								48 325 086	48 325 086
Employee Benefits		86 374 371							86 374 371
Payables from Exchange Transactions		305 108 817				2 400	191 261	257 545 712	562 848 189
Unspent Conditional Grants and Receipts		4 057 327							4 057 327
VAT Payable from Exchange Transactions		78 499 978							78 499 978
Current Portion of Long-term Liabilities		20 630 811							20 630 811
Non-Current Liabilities	-	431 357 554	-	-	-	-	-	661 955 432	1 093 312 985
Long-term Liabilities		139 598 195						661 955 432	801 553 626
Employee Benefit Liabilities		290 713 766							290 713 766
Non-current Provisions		1 045 593							1 045 593
Total Liabilities	-	926 028 858	-	-	-	2 400	191 261	967 826 229	1 894 048 748
Total Assets and Liabilities	-	814 287 788	-	-	237 329 097	(2 400)	47 433 926	1 883 784 456	2 982 832 867
NET ASSETS	367 147 182	(3 056 168 214)	143 550 987	416 241 046	1 146 097 187	(3 334 727 995)	308 927 696	1 026 099 243	(2 982 832 867)
Accumulated Surplus	367 147 182	(3 056 168 214)	143 550 987	416 241 046	1 146 097 187	(3 334 727 995)	308 927 696	1 026 099 243	(2 982 832 867)
Total Net Assets	367 147 182	(3 056 168 214)	143 550 987	416 241 046	1 146 097 187	(3 334 727 995)	308 927 696	1 026 099 243	(2 982 832 867)

	2023	2023	2023	2023	2023	2023	2023	2023	2023
	Executive and Council R	Municipal General R	Municipal Manager R	Corporate Services R	Community Services R	Financial Services R	Strategic and Economic Development R	Infrastructure and Services R	Total R
ASSETS									
Current Assets	-	417 158 883	-	-	200 539 194	-	190 135	1 498 681 800	2 116 570 012
Inventory		52 659 605						40 698 408	93 358 012
Trade Receivables from Exchange Transactions		(243 565 653)			200 539 194			1 457 983 392	1 414 956 933
Statutory Receivables from Non-Exchange Transactions		453 892 552							453 892 552
Trade Receivables from Non-Exchange Transactions		15 813 390					929 354 (739 219)		16 742 744
Cash and Cash Equivalents		107 151 759							106 412 540
Statutory Receivable from Exchange Transactions		31 207 231							31 207 231
Non-Current Assets	-	1 174 398 929	-	-	808 929	-	30 360 535	1 143 597 186	2 349 165 579
Property, Plant and Equipment		864 727 564			808 929		13 986 054	1 143 597 186	2 023 119 734
Heritage Assets		12 070 884							12 070 884
Intangible Assets		1 339 110					16 374 481		17 713 591
Investment Property		201 692 055							201 692 055
Trade Receivables from Exchange Transactions		67 482 432							67 482 432
Statutory Receivables from Non-Exchange Transactions		27 086 883							27 086 883
Total Assets	-	1 591 557 812	-	-	201 348 123	-	30 550 670	2 642 278 986	4 465 735 591
LIABILITIES									
Current Liabilities	-	413 620 142	-	-	-	2 400	190 135	964 519 626	1 378 332 303
Consumer Deposits								45 470 920	45 470 920
Employee Benefits		93 786 790							93 786 790
Payables from Exchange Transactions		299 069 999				2 400	190 135	919 048 706	1 218 311 240
Unspent Conditional Grants and Receipts		7 233 366							7 233 366
Current Portion of Long-term Liabilities		13 529 987							13 529 987
Non-Current Liabilities	-	391 275 535	-	-	-	-	-	-	391 275 535
Long-term Liabilities		146 333 418							146 333 418
Employee Benefit Liabilities		244 235 000							244 235 000
Non-current Provisions		707 117							707 117
Total Liabilities	-	804 895 677	-	-	-	2 400	190 135	964 519 626	1 769 607 838
Total Assets and Liabilities	-	786 662 135	-	-	201 348 123	(2 400)	30 360 535	1 677 759 360	2 696 127 753
NET ASSETS	307 532 375	(2 907 216 812)	119 277 030	350 448 398	958 998 514	(2 767 563 590)	274 352 990	968 043 342	(2 696 127 753)
Accumulated Surplus	307 532 375	(2 907 216 812)	119 277 030	350 448 398	958 998 514	(2 767 563 590)	274 352 990	968 043 342	(2 696 127 753)
Total Net Assets	307 532 375	(2 907 216 812)	119 277 030	350 448 398	958 998 514	(2 767 563 590)	274 352 990	968 043 342	(2 696 127 753)

Notes 63.2 and 63.3 are in line with the reporting to National Treasury as per the above segments, mSCOA and data strings required. The referred notes is also in line and in balance with the format of the ledger and balance with all the relevant components of this Annual Financial Statement. The Infrastructure component includes mainly the services while all other directorates/segments are covered by the rates service which resorts under Municipal and general. In some line items it were impossible or impractical to split information between the segments.

APPENDIX A (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2024

EXTERNAL LOANS	Loan Number	Redeemable Date	Opening Balance	Received during the period	Redeemed written off during the period	Closing Balance	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS								
DBSA Loan @ 12.61%	102855/1	31-12-2028	9 719 068		1 315 099	8 403 969	174 513 556	
DBSA Loan @ 6.75%	102855/3	31-12-2023	248 270		248 270	-		
DBSA Loan @ 12.445%	103958/2	30-06-2031	149 462 278		11 746 088	137 716 189		
Sub total DBSA			159 429 616	-	13 309 458	146 120 159		
Total Annuity loans			159 429 616	-	13 309 458	146 120 159	174 513 556	-
TOTAL EXTERNAL LOANS			159 429 616	-	13 309 458	146 120 159	174 513 556	-

APPENDIX B (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2024

	Cost/Revaluation							Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity and Street Lights	492 932 720		27 354 054		147 995 722		175 349 776	520 286 774	155 220 422	7 178 756		162 399 178	357 887 596
Roads and Pavements	551 973 045		45 208 123		108 465 815		153 673 938	597 181 168	197 361 622	14 425 580		211 787 202	385 393 966
Sewerage	597 453 660		4 676 485		155 738 389		160 414 874	602 130 144	141 357 416	12 290 018		153 647 433	448 482 711
Storm water	266 285 906				4 480 123		4 480 123	266 285 906	54 911 922	4 737 769		59 649 691	206 636 215
Landfill Site	883 885	338 476						1 222 361	74 957	14 831		89 787	1 132 574
Landfill Site Improvements	22 936 818							22 936 818	4 564 708	765 669		5 330 376	17 606 442
Water	441 649 976		62 533 630		121 067 408		183 601 037	504 183 605	161 470 699	6 816 464		168 287 163	335 896 442
	2 374 116 009	338 476	139 772 292	-	537 747 457	-	677 519 749	2 514 226 777	714 961 745	46 229 087	-	761 190 831	1 753 035 946
Community Assets													
Owned Buildings	330 654 240			(4 518 875)	29 083 784		29 083 784	326 135 365	109 525 609	10 390 916	(2 241 234)	117 675 291	208 460 074
Land	95 658 373							95 658 373				-	95 658 373
	426 312 613	-	-	(4 518 875)	29 083 784	-	29 083 784	421 793 737	109 525 609	10 390 916	(2 241 234)	117 675 291	304 118 446
Heritage Assets													
Heritage Assets	12 070 884				6 053 530		6 053 530	12 070 884				-	12 070 884
	12 070 884	-	-	-	6 053 530	-	6 053 530	12 070 884	-	-	-	-	12 070 884
Other Assets													
Computer Equipment	26 805 987	1 058 902		(13 047 453)				14 817 436	19 488 226	2 751 540	(12 857 342)	9 382 425	5 435 011
Furniture and Equipment	23 935 056	338 935		(9 763 897)				14 510 094	20 802 156	1 395 997	(9 465 491)	12 732 663	1 777 432
Other Machinery and Equipment	19 058 746	873 195		(9 526 660)				10 405 281	15 046 941	1 376 938	(9 120 249)	7 303 631	3 101 650
Motor Vehicles	120 765 737	2 933 094	3 948 152	(1 030 087)	3 948 152		7 896 304	126 616 896	88 049 736	6 833 385	(903 283)	93 979 837	32 637 059
	190 565 525	5 204 126	3 948 152	(33 368 096)	3 948 152	-	7 896 304	166 349 707	143 387 059	12 357 860	(32 346 365)	123 398 555	42 951 152
Total	3 003 065 031	5 542 602	143 720 444	(37 886 972)	576 832 923	-	720 553 366	3 114 441 105	967 874 413	68 977 863	(34 587 599)	1 002 264 677	2 112 176 428

APPENDIX C (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2024

Directorate	Cost								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	3 639 615							3 639 615	1 583 277	112 836		1 696 113	1 943 501
Municipal General	324 809 087	5 204 126	3 948 152		10 001 682	-	13 949 834	333 961 365	17 982 138	1 281 540		19 263 677	314 697 688
Municipal Manager	2 126 748							2 126 748	1 146 428	81 703		1 228 131	898 617
Corporate Services	37 346 562							37 346 562	15 040 455	1 071 894		16 112 348	21 234 214
Community Services	348 289 850	-	-	(4 518 875)	29 083 784	-	29 083 784	343 770 975	115 502 793	8 231 580	(2 241 234)	121 493 139	222 277 835
Financial Services	18 264 445							18 264 445	10 640 072	758 290		11 398 362	6 866 083
Strategic and Economic Development	42 552 381							42 552 381	18 083 956	1 288 796		19 372 752	23 179 629
Infrastructure and Services	2 226 036 343	338 476	139 772 292	(33 368 096)	537 747 457	-	677 519 749	2 332 779 015	787 895 294	56 151 224	(32 346 365)	811 700 153	1 521 078 861
TOTAL	3 003 065 031	5 542 602	143 720 444	(37 886 972)	576 832 923	-	720 553 366	3 114 441 105	967 874 413	68 977 863	(34 587 599)	1 002 264 677	2 112 176 428

APPENDIX D (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2024

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	8 866 000	8 866 000	-	8 866 000	None	Yes	None
EPWP	Provincial	3 102 000	3 102 000	-	3 102 000	None	Yes	None
Equitable Share	National	263 135 366	N/A	-	263 135 000	None	Yes	None
WSIG	National	-	-	-	-	Debtor outstanding R1 363 582 + R4 956 404 Debtor reversed.	N/A	None
Financial Management Grant	National	1 700 000	1 700 000	-	1 700 000	None	Yes	None
IUDG	National	63 395 000	63 395 000	-	63 395 000	None	Yes	None
INEP	National	27 104 000	24 358 154	-	27 104 000	None	Yes	None
EEDSM	National	6 000 000	6 000 000	-	6 000 000	None	Yes	None
ISDG (Skills)	National	5 000 000	3 775 826	-	5 500 000	None	Yes	None
Frances Baard Municipality	Municipality	12 245 521	12 245 521	-	N/A	None	N/A	None
COGHSTA	Provincial	200 000	112 693	-	N/A	None	Yes	None
RBIG	National	40 000 000	40 000 000	-	40 000 000	None	Yes	None
European Union	EU	18 850 000	18 850 000	-	N/A	None	Yes	None
Total		449 597 887	182 405 194	0	418 802 000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

APPENDIX E
SOL PLAATJE LOCAL MUNICIPALITY
APPROPRIATION STATEMENT (A1 - A7) AS AT 30 JUNE 2024

Please select name NC091 Sol Plaatje
Please select year 2022/23