Dikgatlong Local Municipality
(Registration Number NC092)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Grading of local authority	Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)
Legal form of the Municipality	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Nature of Business and Principal Activities	Dikgatlong Local Municipality perfoming the functions as set out in the Constitution, Act no. 105 of 1996
Accounting Officer	B Tsinyane (Acting since 7 February 2020)
Registered Office	33 Campbell Street Barkly West 8375
Business Address	33 Campbell Street Barkly West 8375
Postal Address	Private Bag Barkley West 8375
Bankers	First National Bank
Auditors	The Auditor General
Attorneys	Matthews and Partners
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no. 89 of 1991) Municipal Structures Act no. 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Equity Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004

General Information

Mayoral Committee	J Tswanagae (Mayor) L.G Phetlhane (Speaker) M.N Jacobs W.A Hendricks I Raadt D.T Pitso M.M Bezuidenhout S Blom B.P Thobi S.I Metswi L.D Leeuw D.P Papers C.J Mostert I D.A Lemon R.T Springbok
Members of the audit committee	Mr GR Botha (Chairperson) Mr T Mudamburi (Member) Mr Masikela (Member)
Chief Finance Officer	CB Mokeng (Acting since 8 December 2018)

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
PAYE	Pay As You Earn
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association
SARS	South African Revenue Services

Accounting Officer Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The Accounting Officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

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

B Tsinyane
Accounting Officer

Report of the Accounting Officer

The accounting Officer submits her report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 797 809 654 and that the municipality's total assets exceed its liabilities by R 797 809 654.

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

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2025 and in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 42.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

No matters to report on.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The Accounting officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality
B Tsinyane	South African

7. Auditors

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

B Tsinyane
Accounting Officer

Dikgatlong Local Municipality

(Registration Number NC092)
Financial Statements for the year ended 30 June 2024

Statement of Financial Position

Figures in R	Notes	30 June 2024	30 June 2023 Restated
Current assets			
Inventories	3	1,921,992	852,259
Operating lease asset	4	61,371	61,244
Statutory Receivables (VAT)	5	89,327,985	92,793,814
Other receivables from exchange transactions	6	4,588,225	2,679,721
Statutory Receivables from Non Exchange Transactions	7	117,256,631	80,550,542
Receivables from exchange transactions	8	281,854,419	208,228,576
Cash and cash equivalents	9	2,087,263	433,418
Total current assets		**497,097,886**	**385,599,574**
Non-current assets			
Property, plant and equipment	10	628,374,065	639,747,261
Investment property	11	48,184,752	51,875,611
Intangible assets	12	116,669	157,768
Heritage assets	13	12,971,081	12,971,080
Total non-current assets		**689,646,567**	**704,751,720**
Total assets		**1,186,744,453**	**1,090,351,294**
Liabilities			
Current liabilities			
Payables from exchange transactions	14	198,022,437	307,105,409
Consumer deposits	16	654,511	615,518
Employee benefit obligation	17	996,000	624,000
Unspent conditional grants and receipts	18	248,232	4,733,993
Total current liabilities		**199,921,180**	**313,078,920**
Non-current liabilities			
Finance lease obligations	15	92,228	-
Payables from exchange transactions	14	124,832,685	-
Employee benefit obligation	17	5,713,000	5,738,000
Provisions	19	43,917,625	54,467,043
Total non-current liabilities		**174,555,538**	**60,205,043**
Total liabilities		**374,476,718**	**373,283,963**
Total net assets and liabilities		**812,267,735**	**717,067,331**
Net assets represented by:			
Accumulated surplus		**812,267,731**	**717,067,337**
Total Net Assets		**812,267,731**	**717,067,337**

Dikgatlong Local Municipality
(Registration Number NC092)
Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in R	Note	30 June 2024	30 June 2023 Restated
Revenue from exchange transactions			
Service charges	20	81,503,137	70,538,359
Interest received	21	55,609,176	50,423,827
Rental income	22	836,708	832,603
Interest received-investment	23	847,640	888,326
Other Income	24	653,669	753,870
Total revenue from exchange transactions		**139,450,330**	**123,436,985**
Revenue from non-exchange transactions			
Taxation revenue			
Property Rates	25	34,054,165	30,553,309
Revenue from non-exchange transactions - Other Income	26	47,957,691	-
Transfer revenue			
Interest received - Property Rates	21	16,862,809	14,435,319
Fines, penalties and forfeits	27	112,343	6,950
Public contributions and donations	28	110,628	1,456,299
Government grants and subsidies	29	155,534,449	141,676,672
Total revenue from non-exchange transactions		**254,632,085**	**188,128,549**
Total revenue		**394,082,415**	**311,565,534**
Expenditure			
Employee related cost	30	(76,376,275)	(76,724,678)
Remuneration of councillors	31	(5,846,117)	(5,590,033)
Depreciation and amortisation	32	(23,061,522)	(27,547,435)
Finance cost	33	(32,836,571)	(19,831,755)
Debt impairment	34	(37,837,033)	(30,845,895)
Bulk purchases	35	(46,857,787)	(40,429,003)
Contracted services	36	(34,080,280)	(36,676,518)
General expenses	37	(34,288,464)	(31,097,284)
Total Other expenses		**(291,184,049)**	**(268,742,601)**
Other gains and losses			
Actuarial gain or (Losses)	38	54,933	220,388
Impairment loss	39	(12,776,884)	(2,071,678)
Decrease in the landfill Provision		14,257,513	-
Gain or (loss) on disposal of assets and liabilities	40	(9,341,172)	(35,308)
Total other gains and losses		**(7,805,610)**	**(1,886,598)**
Surplus for the year		**95,092,756**	**40,936,335**

Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
Balance at 1 July 2022 as previously reported	675,581,324	675,581,324
Effects of prior period errors - Refer to Note 50	549,678	549,678
Balance at 1 July 2022 as restated	676,131,002	676,131,002
Changes in net assets		
Surplus for the year	40,936,335	40,936,335
Effects of prior period errors - Refer to Note 50		-
Balance at 30 June 2023 as restated	**717,067,337**	**717,067,337**
Balance at 1 July 2023 as previously reported	758,101,102	758,101,102
Increase (decrease) due to corrections of prior period errors	(41,033,765)	(41,033,765)
Balance at 1 July 2023 as restated	717,067,337	717,067,337
Changes in net assets		
Surplus for the year	95,092,756	95,092,756
Balance at 30 June 2024 as restated	**812,160,093**	**812,160,093**

Statement of Cash Flows

Figures in R	Notes	30 June 2024	30 June 2023 Restated
Cash flow from operating activities			
Receipts			
Cash receipts from customers		83,286,604	38,402,565
Interest from receivables		7,730,320	-
Other receipts		110,628	-
Grants		151,048,688	142,245,918
Interest received		847,640	888,326
		243,023,880	**181,536,809**
Payments			
Employee costs		(82,222,392)	(82,158,654)
Suppliers		(100,259,613)	(53,787,220)
Finance costs		(26,244,023)	(14,464,674)
Net cash flows from operations	41	**34,297,852**	**31,126,261**
Cash flows used in investing activities			
Property, plant and equipment -Additions		(32,633,720)	(30,584,056)
Intangible assets		(10,287)	-
Other cash items		-	-
Cash flows used in investing activities		**(32,644,007)**	**(30,584,056)**
Net increase / (decrease) in cash and cash equivalents		**1,653,845**	**(154,548)**
Cash and cash equivalents at beginning of the year		433,418	587,966
Cash and cash equivalents at end of the year	**9**	**2,087,263**	**433,418**

Statement of Comparision of Budget and Actual Amounts
Figures in R **Notes**
Statement of financial performance

Budget on accrual basis		**Approved budget**	**Adjustments**	**Final budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**
Revenue from exchange transactions						
Service charges	20	84,775,678	(14,476,630)	70,299,048	81,503,137	(11,204,089)
Rental income	22	915,272	(176,466)	738,806	836,708	(97,902)
Interest earned from receivables	23	45,241,643	(3,445,479)	41,796,164	55,609,176	(13,813,012)
Interest earned - Investment	23	1,125,436	(83,460)	1,041,976	847,640	194,336
Operational revenue	24	524,814	1,453,356	1,978,170	653,669	1,324,501
Total revenue from exchange transactions		132,582,843	(16,728,679)	115,854,164	139,450,330	(23,596,166)

Dikgatlong Local Municipality
(Registration Number NC092)
Financial Statements for the year ended 30 June 2024

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**					
Revenue from non-exchange transactions						
Property Rates	25	41,963,291	665,661	42,628,952	34,054,165	8,574,787
Interest received	21	6,342,310	20,049,225	26,391,535	47,957,691	(21,566,156)
Transfer revenue						
Fines, penalties and forfeits	27	15,685	12,120	27,805	112,343	(84,538)
Public contributions and donations		-	-	-	110,628	(110,628)
Revenue from non-exchange transactions - transfers - class 4		-	-	-	16,862,809	(16,862,809)
Government grants and subsidies	29	156,445,000	120,000	156,565,000	155,534,449	1,030,551
Total revenue from non-exchange transactions		204,766,286	20,847,006	225,613,292	254,632,085	(29,018,793)
Total revenue		**337,349,129**	**4,118,327**	**341,467,456**	**394,082,415**	**(52,614,959)**
Expenditure						
Employee benefit costs	30	(77,436,938)	745,181	(76,691,757)	(76,376,275)	(315,482)
Remuneration of councillors	31	(5,934,900)	(95,211)	(6,030,111)	(5,846,117)	(183,994)
Bulk purchases - electricity	35	(39,202,537)	(8,029,342)	(47,231,879)	(46,857,787)	(374,092)
Inventory consumed		(11,413,867)	(3,122,727)	(14,536,594)	(14,465,642)	(70,952)
Debt Impairment	34	(24,835,890)	-	(24,835,890)	(37,837,033)	13,001,143
Depreciation and armotisation	32	(28,010,042)	-	(28,010,042)	(23,061,522)	(4,948,520)
Interest	33	(6,413,514)	(11,672,634)	(18,086,148)	(32,836,571)	14,750,423
Contracted services	36	(34,331,693)	(18,729,617)	(53,061,310)	(34,079,730)	(18,981,580)
Irrecoverable debts written off	21	(3,734,114)	1,000,000	(2,734,114)	-	(2,734,114)
Operational costs	37	(22,434,739)	(6,691,338)	(29,126,077)	(19,822,822)	(9,303,255)
Total Expenditure		**(253,748,234)**	**(46,595,688)**	**(300,343,922)**	**(291,183,499)**	**(9,160,423)**
Actuarial gain or (Losses)					54,933	(54,933)
Impairment loss					(12,776,884)	12,776,884
Decrease in the landfill provision					14,257,513	
Gain or loss ( ) on disposal of assets and liabilities					(9,341,172)	9,341,172
		-	-	-	-	-
Other gains or () losses		**-**	**-**	**-**	**(7,805,610)**	**22,063,123**
Surplus / (deficit) for the year		**83,600,895**	**(42,477,361)**	**41,123,534**	**95,093,306**	**(39,712,259)**

Dikgatlong Local Municipality

(Registration Number NC092)
Financial Statements for the year ended 30 June 2024

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes					
Statement of Financial Position						
Current assets						
Cash and cash equivalents	9	5,340,670	49,850,000	55,190,670	2,087,263	53,103,407
Trade and other receivables from exchange transactions	8	226,416,404	4,000,000	230,416,404	281,854,419	(51,438,015)
Receivables from non exchange transactions	7	52,768,482	5,000	52,773,482	117,256,631	(64,483,149)
Inventory		4,182,833	-	4,182,833	1,921,992	2,260,841
VAT	5	102,191,820	-	102,191,820	89,327,985	12,863,835
Other current assets	21	895,957	(70,000)	825,957	4,649,596	(3,823,639)
Total current assets		**391,796,166**	**53,785,000**	**445,581,166**	**497,097,886**	**(51,516,720)**
Non current assets						
Investments		1,245	-	1,245	-	1,245
Investment property	11	47,500,013	-	47,500,013	48,184,752	(684,739)
Property, plant and equipment	10	648,808,561	16,301,014	665,109,575	628,374,065	36,735,510
Heritage assets	13	12,222,699	-	12,222,699	12,971,081	(748,382)
Intangible assets	12	218,938	(5,000)	213,938	116,669	97,269
Total non current assets		**708,751,456**	**16,296,014**	**725,047,470**	**689,646,567**	**35,400,903**
Total assets		**1,100,547,622**	**70,081,014**	**1,170,628,636**	**1,186,744,453**	**(16,115,817)**
Liabilities						
Current Liabilities						
Financial liabilities		492,412	-	492,412	-	492,412
Consumer deposits	16	612,657	-	612,657	654,511	(41,854)
Trade and other payables from exchange transactions	14	221,700,489	1,999,998	223,700,487	198,022,437	25,678,050
Trade and other payables from non exchange transactions		3,493,561	-	3,493,561	1,244,232	2,249,329
Provisions		898,000	-	898,000	996,000	(98,000)
Total current liabilities		**227,197,119**	**1,999,998**	**229,197,117**	**200,917,180**	**28,279,937**

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**					
Non current liabilities						
Borrowing		780,301	-	780,301	-	780,301
Provisions	19	53,400,592	-	53,400,592	43,917,625	9,482,967
Other non current liabilities		1,839,000	-	1,839,000	5,713,000	(3,874,000)
Total non current liabilities		**56,019,893**	**-**	**56,019,893**	**49,630,625**	**6,389,268**
Total liabilities		**283,217,012**	**1,999,998**	**285,217,010**	**250,547,805**	**34,669,205**
Net Assets		**817,330,610**	**68,081,016**	**885,411,626**	**936,196,648**	**(50,785,022)**

CASH FLOW FROM OPERATING ACTIVITIES

	Approved budget	**Adjustments**	**Final budget**	**Actual amount on comparative basis**	**Difference between final budget and actual**
Receipts					
Property rates	34,000,500	-	34,000,500	83,286,604	(49,286,104)
Service charges	71,594,497	-	71,594,497	7,730,320	63,864,177
Other revenue	2,199,162	-	2,199,162	(110,628)	2,309,790
Transfers and Subsidies	151,046,000	-	151,046,000	151,048,688	(2,688)
Interest	731,533		731,533	847,640	(116,107)
Suppliers and employees	(371,182,399)	-	(371,182,399)	(182,482,005)	(188,700,394)
Finance charges	(6,038,265)	-	(6,038,265)	(26,244,023)	20,205,758
Net cash from/(used) Operating activities	**(117,648,972)**	-	**(117,648,972)**	**34,076,596**	**(151,725,568)**

Cash flow from investing activities

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**					
Decrease (increase) non current investments		(5,665)	-	(5,665)	-	(5,665)
Capital assets		(35,282,800)	-	(35,282,800)	(32,644,007)	(2,638,793)
Net increase/ (decrease) in cash held		**(35,288,465)**	-	**(35,288,465)**	**(32,644,007)**	**(2,644,458)**
Cash/ cash equivalent at the year begin		592,670	-	592,670	433,418	159,252
Cash/ cash equivalent at the year end		**(34,695,795)**	-	**(34,695,795)**	**1,866,007**	**(2,485,206)**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 1 of 2003).

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Impairment testing

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

Presentation of Annual Financial Statements continued...

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

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

Useful lives and residual values

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

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

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

Presentation of Annual Financial Statements continued...

1.4 Investment property

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

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 80 years

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

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

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

Presentation of Annual Financial Statements continued...

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual
financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	7 - 80 years
Landfill sites	Straight-line	1 - 20 years
Other Assets	Straight-line	4 - 15 years
Community assets	Straight-line	7 - 100 years
Infrastructure	Straight-line	7 - 100 years

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.6 Non-living Resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

Presentation of Annual Financial Statements continued...

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	**Depreciation method**	**Average useful life**
Computer software, other	Straight-line	3 - 5 years

Presentation of Annual Financial Statements continued...

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

Presentation of Annual Financial Statements continued...

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

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

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any
difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting
Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.10 Financial instruments

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

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

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

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

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

Classification

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

Presentation of Annual Financial Statements continued...

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity
analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

1) a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
2) non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
1) Financial instruments at fair value.
2) Financial instruments at amortised cost.
3) Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Presentation of Annual Financial Statements continued...

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

1.11 Statutory receivables

Identification

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Presentation of Annual Financial Statements continued...

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

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

Other charges

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

Impairment losses

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

The entity assess statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

Presentation of Annual Financial Statements continued...

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

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

Derecognition

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

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

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

1.12 Leases

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

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

Entity as lessee - Finance leases

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

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

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

Presentation of Annual Financial Statements continued...

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.15 Employee benefits

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

Presentation of Annual Financial Statements continued...

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are
  conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

Presentation of Annual Financial Statements continued...

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Presentation of Annual Financial Statements continued...

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

Presentation of Annual Financial Statements continued...

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

Presentation of Annual Financial Statements continued...

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest revenue

Presentation of Annual Financial Statements continued...

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

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

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

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

Pre-paid electricity

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

Presentation of Annual Financial Statements continued...

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

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Presentation of Annual Financial Statements continued...

Gifts and donations, including goods in-kind

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with or, and includes—

a) overspending of the total amount appropriated in the municipality's approved budget;
b) overspending of the total amount appropriated for a vote in the approved budget;
c) expenditure from a vote unrelated to the department or functional area covered by the vote.
d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
f) a grant by the municipality otherwise than in accordance with this Act;"

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Presentation of Annual Financial Statements continued...

1.25 Irregular expenditure

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

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Segment information

A segment is an activity of an entity:

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

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

1.27 Budget information

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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

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

Presentation of Annual Financial Statements continued...

1.30 Value added Tax (VAT)

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

1.31 Accumulated Surplus

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

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

2. New standards and interpretations

Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

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

Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of
whether they are vested or unvested.

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

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

Key amendments to GRAP 25

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

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

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

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

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

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

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

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

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

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

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

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

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

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the
concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time when the Minister sets the effective date for it.

The adoption of this guideline is not expected to impact on the results of the entity, but may result in more or less disclosure than is currently provided in the financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board amended its existing Standards to deal with these issues.

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

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

Accounting Policies

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

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

iGRAP 21 addresses the following two issues:

Do past decisions about materiality affect subsequent reporting periods?
Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 financial statements.

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

GRAP 2020: Improvements to the standards of GRAP 2020

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

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

Amendments include,

GRAP 5 – Borrowing Costs

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

GRAP 13 – Leases

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

GRAP 16 – Investment Property

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

GRAP 17 – Property, Plant and Equipment

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

GRAP 20 – Related Party Disclosures

Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party

Disclose amounts incurred by the entity for the provision of management services that are provided by a separate managment entity
If an entity obtains management services from another entity ("the management entity") the entity is not required to
management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

Terminology amended

Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

GRAP 37 – Joint Arrangements

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

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

When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages

Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation:

Directive 7 – The Application of Deemed Cost

Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity expects to adopt the improvements for the first time in the 2022/2023 financial statements.

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

information should not be obscured by aggregating or by providing immaterial information;

materiality considerations apply to all parts of the financial statements; and

even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

An entity applies judgement based on past experience and current facts and circumstances

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

The entity expects to adopt the amendment for the first time in the 2024/2025 financial statements.

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

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

Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Guideline: Guideline on Accounting for Landfill Sites

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

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

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

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce
growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

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

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

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

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

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

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

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

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

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

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

3. Inventories

Inventory - Water	143,683	184,771
Consumables	1,778,309	667,488
	1,921,992	**852,259**

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Inventory recognised as an expense during the year.

Water	11,614,165	9,892,690
Material and supplies	2,851,477	1,711,701
Inventory consumed	**14,465,642**	**11,604,391**

The amount of write-down of inventories recognised as an expense:

Opening balance	184,771	97,326
Water purchased	11,573,076	10,189,870
Water sold	(9,508,619)	(8,208,393)
Material loss	(2,105,545)	(1,796,706)
Closing balance	**143,683**	**184,771**

No inventories were pledged as security for liabilities.

4. Operating lease asset

Operating lease asset comprise the following balances

Current asset	61,371	61,244
	61,371	**61,244**

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Statutory Receivables (VAT)

Statutory Receivables (VAT) comprise the following balances

Statutory Receivables (VAT)	89,327,985	92,793,814
	89,327,985	**92,793,814**

6. Other Receivables from exchange transactions

Net other receivables from exchange transactions comprise:

Other receivables from exchange transactions	2,640,681	1,239,305
Deposits held	781,450	781,450
Grants receivable	1,166,094	658,966
	4,588,225	**2,679,721**

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

7. Statutory Receivables from Non Exchange Transactions

Net statutory receivables from non exchange transactions comprise:

Gross balances		
Consumer debtors - Rates	212,505,362	171,300,199
Fines	103,600	-
Less: Allowance for Impairment		
Consumer debtors - Rates	(95,248,731)	(90,749,657)
Fines	(103,600)	-
	117,256,631	**80,550,542**

Age Analysis

Rates		
Current (0 - 30 days)	7,253,349	5,182,132
31 - 60 days	3,038,682	2,465,181
61 - 90 days	3,007,952	2,434,437
91 days+	199,205,216	160,745,855
Less Impairment	(95,248,731)	(90,749,657)
	117,256,467	**80,077,948**

Consumers		
Current (0 - 30 days)	3,311,425	2,335,889
31 - 60 days	1,354,519	1,087,609
61 - 90 days	1,337,267	1,074,494
91 days+	61,467,853	50,221,692
	67,471,063	**54,719,684**
Less Impairment	**(50,567,053)**	**(52,447,151)**
	16,904,010	**2,272,533**

Industrial / Commercial		
Current (0 - 30 days)	1,907,666	1,325,070
31 - 60 days	706,910	627,791
61 - 90 days	698,113	611,961
91 days+	48,030,404	44,006,214
	51,343,093	**46,571,036**
Less Impairment	**(44,681,678)**	**(38,302,506)**
	6,661,416	**8,268,530**

National and provincial government		
Current (0 - 30 days)	2,034,258	1,521,173
31 - 60 days	977,253	749,781
61 - 90 days	972,562	749,569
91 days+	89,706,959	67,184,104
	93,691,032	**70,204,627**

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

8. Receivables from exchange transactions

Gross balances		
Electricity	75,327,723	70,842,243
Water	400,261,219	344,926,904
Sewerage	62,641,276	54,934,094
Refuse	191,655,506	166,954,132
Sundry	73,075,355	58,443,504
	802,961,079	**696,100,877**
Less: Allowance for Impairment		
Electricity	(44,724,775)	(18,096,447)
Water	(272,258,060)	(269,024,726)
Sewerage	(25,057,325)	(34,525,093)
Refuse	(134,517,650)	(131,253,146)
Sundry	(44,548,850)	(34,972,889)
	(521,106,660)	**(487,872,301)**
Net balance		
Electricity	30,602,948	52,745,796
Water	128,003,159	75,902,178
Sewerage	37,583,951	20,409,001
Refuse	57,137,856	35,700,986
Sundry	28,526,505	23,470,615
	281,854,419	**208,228,576**

Age Analysis

Electricity		
Current (0 -30 days)	4,481,684	3,648,344
31 - 60 days	1,489,669	1,504,205
61 - 90 days	1,298,395	1,386,316
91 days +	64,047,410	68,794,657
Less:impairment	(44,724,775)	(18,096,447)
	26,592,383	**57,237,075**
Water		
Current (0 -30 days)	19,197,586	11,150,620
31 - 60 days	5,212,845	4,952,473
61 - 90 days	4,753,868	4,796,531
91 days +	371,096,920	322,880,855
Less:impairment	(272,258,061)	(269,025,023)
	128,003,158	**74,755,456**
Sewerage		
Current (0 -30 days)	1,378,494	1,266,141
31 - 60 days	686,523	626,023
61 - 90 days	683,227	623,039
91 days +	59,892,838	52,111,216
Less:impairment	(25,057,325)	(34,525,093)
	37,583,759	**20,101,326**

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated
Receivables from exchange transactions continued...		
Refuse		
Current (0 -30 days)	4,415,903	4,192,937
31 - 60 days	2,208,926	2,018,566
61 - 90 days	2,207,237	2,005,954
91 days +	182,827,171	158,777,570
Less:impairment	(134,517,650)	(131,253,095)
	57,141,588	**35,741,932**
Sundry		
Current (0 -30 days)	6,217,719	911,304
31 - 60 days	424,313	426,881
61 - 90 days	412,858	418,963
91 days +	66,018,730	61,853,580
Less:impairment	(44,548,850)	(34,972,889)
	28,524,769	**28,637,839**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	28,589,278	14,732,598
31 - 60 days	7,205,471	6,572,777
61 - 90 days	6,858,661	6,393,989
91 days +	556,370,837	480,560,043
	599,024,247	508,259,407
Less: Allowance for impairment	**(481,927,842)**	**(445,031,049)**
	117,096,405	**63,228,358**
Industrial/ commercial		
Current (0 -30 days)	2,032,811	2,901,596
31 - 60 days	743,212	736,445
61 - 90 days	769,704	690,107
91 days +	46,201,326	44,599,832
	49,747,054	48,927,980
Less: Allowance for impairment	(39,178,819)	(42,841,245)
	10,568,235	**6,086,735**
National and provincial government		
Current (0 -30 days)	5,079,156	3,535,154
31 - 60 days	2,073,593	2,215,477
61 - 90 days	1,727,220	2,146,708
91 days +	141,310,908	138,124,958
	150,190,876	**146,022,297**

Figures in R	30 June 2024	30 June 2023 Restated

Receivables from exchange transactions continued...

Total		
Current (0 -30 days)	35,701,245	21,169,347
31 - 60 days	10,022,276	9,524,699
61 - 90 days	9,355,585	9,230,803
91 days +	743,883,070	664,421,082
	798,962,177	**704,345,931**
	(521,106,661)	(487,872,303)
	277,855,516	**216,473,628**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(487,872,301)	(464,949,797)
Contributions to allowance	(42,702,128)	(52,294,530)
Debt impairment written off against allowance	9,467,768	29,372,026
	(521,106,661)	**(487,872,301)**

9. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash on hand	5,439	5,319
Balances with banks	1,466,060	64,227
Short term deposits	615,764	363,872
Total cash	**2,087,263**	**433,418**

Cash and cash equivalents continued...

The entity had the following bank accounts

Account number / description	Bank Statement balances			Cash book balances		
	30 June 2024.	30 June 2023.	30 June 2022.	30 June 2024.	30 June 2023.	30 June 2022.
First National Bank- Current Account (62022662468)	1,466,066	63,448	145,197	1,466,066	64,227	145,197
First National Bank- Call Account (62256156318)	8,506	138,983	132,146	8,506	138,983	132,146
First National Bank- Call Account (62279967643)	138,762	129,835	114,274	138,762	129,835	114,274
First National Bank- Call Account (62287817393)	15,766	14,997	14,003	15,766	14,997	14,003
First National Bank- Call Account (62345563911)	436,194	62,810	164,643	436,194	62,810	164,643
First National Bank- Call Account (71045321107)	5,339	5,016	4,723	5,339	5,016	4,723
Standard Bank- Fixed Deposit Account (146018273)	11,196	12,231	12,981	11,196	12,231	12,981
			-	-		
Total	**2,081,829**	**427,320**	**587,967**	**2,081,829**	**428,099**	**587,967**

10. Property, plant and equipment

Balances at year end and movements for the year

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated	Carrying value
Land	85,346,176	(136,983)	85,209,193	92,251,885	(133,133)	92,118,752
Buildings	23,056,306	(19,286,060)	3,770,246	24,989,522	(20,557,159)	4,432,363
Infrastructure	912,904,548	(397,602,504)	515,302,044	892,080,694	(375,235,149)	516,845,545
Community	36,586,563	(23,712,341)	12,874,222	56,410,707	(45,618,335)	10,792,372
Other property, plant and equipment	22,802,709	(14,058,235)	8,744,474	28,184,874	(18,594,349)	9,590,525
Landfill Site Asset	8,140,240	(5,666,354)	2,473,886	11,257,808	(5,290,104)	5,967,704
	1,088,836,542	**(460,462,477)**	**628,374,065**	**1,105,175,490**	**(465,428,229)**	**639,747,261**

Property, plant and equipment continued...

	Land	Buildings	Infrastructure	Community Assets	Landfill Site Asset	Other PPE	Total
Reconciliation for the period ended 30 June 2024							
Balance at 1 July 2023							
At cost	92,251,885	24,989,522	892,080,694	56,410,707	11,257,808	28,184,874	**1,105,175,490**
Accumulated depreciation and impairment	(133,133)	(20,557,159)	(375,235,149)	(45,618,335)	(5,290,104)	(18,594,349)	**(465,428,229)**
Net book value	**92,118,752**	**4,432,363**	**516,845,545**	**10,792,372**	**5,967,704**	**9,590,525**	**639,747,261**
Movements for the period ended 30 June 2024							
Additions from acquisitions	-	-	28,849,290	2,561,022	-	1,223,429	**32,633,741**
Depreciation	-	(394,495)	(19,164,992)	(620,321)	(1,069,333)	(1,486,363)	**(22,735,503)**
Impairment loss recognised in net assets	(4,890)	(267,357)	(9,534,415)	339,302	-	-	**(9,467,360)**
Change in landfill closure provision	-	-	-	-	(2,395,151)	-	**(2,395,151)**
Disposals	(6,904,669)	(265)	(1,693,384)	(198,153)	(29,333)	(583,117)	**(9,408,921)**
Transfers out	-	-	-	-	-	-	**-**
Property, plant and equipment at end of year	**85,209,193**	**3,770,246**	**515,302,045**	**12,874,222**	**2,473,886**	**8,744,474**	**628,374,067**
Closing balance at 30 June 2024							
At cost	85,346,176	23,056,306	912,904,548	36,586,563	8,140,240	22,802,709	**1,088,836,542**
Accumulated depreciation and impairment	(136,983)	(19,286,060)	(397,602,504)	(23,712,341)	(5,666,354)	(14,058,235)	**(460,462,477)**
Net book value	**85,209,193**	**3,770,246**	**515,302,044**	**12,874,222**	**2,473,886**	**8,744,474**	**628,374,065**

Property, plant and equipment continued...

Reconciliation for the period ended 30 June 2023							
Balance at 1 July 2022							
At cost	92,251,885	24,989,522	873,081,086	51,354,117	11,474,051	22,023,504	**1,075,174,165**
Accumulated depreciation and impairment	(133,133)	(20,140,372)	(349,474,280)	(44,945,189)	(4,647,683)	(17,574,272)	**(436,914,929)**
Net book value	**92,118,752**	**4,849,150**	**523,606,806**	**6,408,928**	**6,826,368**	**4,449,232**	**638,259,236**
Movements for the period ended 30 June 2023							
Additions from acquisitions	-	-	21,969,738	5,056,590	-	6,161,370	**33,187,698**
Depreciation	-	(413,672)	(24,481,098)	(673,146)	(622,103)	(1,019,860)	**(27,209,879)**
Impairment loss recognised in surplus or deficit	-	(3,115)	(2,048,028)	-	(20,319)	(217)	**(2,071,679)**
Change in landfill closure provision	-	-	-	-	(216,242)	-	**(216,242)**
Transfer out	-	-	(2,201,874)	-	-	-	**(2,201,874)**
Property, plant and equipment at end of year	**92,118,752**	**4,432,363**	**516,845,544**	**10,792,372**	**5,967,704**	**9,590,525**	**639,747,261**
Closing balance at 30 June 2023							
At cost	92,251,885	24,989,522	892,080,694	56,410,707	11,257,808	28,184,874	**1,105,175,490**
Accumulated depreciation and impairment	(133,133)	(20,557,159)	(375,235,149)	(45,618,335)	(5,290,104)	(18,594,349)	**(465,428,229)**
Net book value	**92,118,752**	**4,432,363**	**516,845,545**	**10,792,372**	**5,967,704**	**9,590,525**	**639,747,261**

Figures in R	30 June 2024	30 June 2023 Restated

Property, plant and equipment continued...

Pledged as security

No items of Property, Plant and Equipment has been pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Windsorton Provision of Water and Sewer Networks	20,397,967	20,397,967
Windsorton Waste Water Treatment Plant	442,816	442,816
Windsorton New Oxidation ponds	26,340,540	26,340,540
Windsorton / Holpan Regional Bulk Water Supply Scheme (Part A and Part B)	42,943,188	42,943,188
	90,124,511	**90,124,511**

The projects listed are taking longer than expected due to the insufficient funds that the municipality is facing making it impossible to complete these projects in the current year.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	122,893,182	122,893,182
Additions/capital expenditure	28,876,302	28,876,302
Transferred to completed items	(3,073,037)	(3,073,037)
	148,696,447	**148,696,447**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	118,874,865	118,874,865
Additions/capital expenditure	26,663,902	26,663,902
Transferred to completed items	(22,645,585)	(22,645,585)
	122,893,182	**122,893,182**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Infrastructure	4,122,229	7,324,397
Motor Vehicles	1,992,337	3,853,309
Other assets	547,400	953,120
Buildings	691,012	409,204
	7,352,978	**12,540,030**

Figures in R	30 June 2024	30 June 2023 Restated

Property, plant and equipment continued...

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

10.3 Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Infrastructure assets	1,106,606
Land, buildings and community assets	184,838
Total change in estimate for useful life of property, plant and equipment	**1,291,444**

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42).

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

11. Investment property

Balances at year end and movements for the year

Reconciliation for the year		
Balance at start of year		
At cost	55,430,383	55,465,691
Accumulated depreciation	(3,554,772)	(3,262,605)
Net book value	**51,875,611**	**52,203,086**
Movements for the year		
Depreciation	(279,797)	(292,168)
Impairment loss recognised in surplus or deficit	(3,387,599)	-
Disposals	(23,463)	(35,307)
Decrease resulting from a transfer of functions between entities under common control or a merger	-	-
Investment property at end of year	**48,184,752**	**51,875,611**
Closing balance at end of year		
At cost	53,769,014	55,430,383
Accumulated depreciation	(5,584,262)	(3,554,772)
Net book value	**48,184,752**	**51,875,611**

Pledged as security

No Investment Property has been pledged as security.

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

The Investment property note above excludes all the land parcels where the municipality is the legal owner but it does not control the land. An assessment was done as at the reporting date through the field verification and deed search reconciliation and it was identified that there are assets that were sold by the municipality previously and other land parcels that were written off through the council resolutions, however the transfer has not been completed.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Figures in R	30 June 2024	30 June 2023 Restated

12. Intangible assets

Reconciliation of changes in intangible assets

	Computer software	Total
Reconciliation for the period ended 30 June 2024		
Balance at 1 July 2023		
At cost	525,302	**525,302**
Accumulated amortisation	(367,534)	**(367,534)**
Net book value	**157,768**	**157,768**
Movements for the period ended 30 June 2024		
Acquisitions	9,790	**9,790**
Amortisation	(46,241)	**(46,241)**
Impairment loss recognised in surplus or deficit	(498)	**(498)**
Disposals	(4,647)	**(4,647)**
Intangible assets at end of period	**116,172**	**116,172**
Closing balance at 30 June 2024		
At cost	269,271	**269,271**
Accumulated amortisation	(153,099)	**(153,099)**
Net book value	**116,172**	**116,172**
Reconciliation for the period ended 30 June 2023		
Balance at 1 July 2022		
At cost	525,303	**525,303**
Accumulated amortisation	(322,050)	**(322,050)**
Net book value	**203,253**	**203,253**
Movements for the period ended 30 June 2023		
Amortisation	(45,388)	**(45,388)**
Intangible assets at end of period	**157,865**	**157,865**
Closing balance at 30 June 2023		
At cost	525,399	**525,399**
Accumulated amortisation	(367,534)	**(367,534)**
Net book value	**157,865**	**157,865**

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Figures in R	30 June 2024	30 June 2023 Restated

13. Heritage assets

Reconciliation for the period ended 30 June 2024

	Cost / Valuation	Total
Balance at 1 July 2023		
Gross carrying amount	13,530,939	13,530,939
Net carrying amount	**12,971,081**	**13,530,939**
Movements for the period ended 30 June 2024		
Impairment loss recognised in surplus or deficit	-	(559,858)
	12,971,081	**12,971,081**
Closing balance at 30 June 2024		
Gross carrying amount	13,530,940	13,530,940
Accumulated impairment	(559,859)	(559,859)
Net carrying amount	**12,971,081**	**12,971,081**

Reconciliation for the period ended 30 June 2023

Balance at 1 July 2022		
Gross carrying amount	13,530,939	13,530,939
Accumulated impairment	(559,859)	-
Net carrying amount	**12,971,080**	**13,530,939**
Closing balance at 30 June 2023		
Gross carrying amount	13,530,939	13,530,939
Accumulated impairment	(559,859)	-
Net carrying amount	**12,971,080**	**13,530,939**

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

14. Payables from exchange transactions

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

Payables from exchange transactions continued...

Payables from exchange transactions comprise:		
Trade payables	156,756,148	271,922,496
Payments received in advance	11,988,438	7,083,349
Sundry creditors	847,133	579,775
Sundry control	825,260	1,489,532
Accrued leave pay	6,872,574	6,492,537
Accrued bonus	2,301,165	2,043,533
Retentions	3,611,963	2,960,298
Department of transport safety and liason	14,184,689	14,184,689
Long service awards	635,067	349,200
Total payables from exchange transactions	**198,022,437**	**307,105,409**
Non-current liabilities		
Payables from exchange transactions	124,832,685	-
	322,855,122	**307,105,409**

15. Finance lease obligations

Finance lease obligations comprise:

Finance lease obligation	92,228	-
	92,228	**-**

16. Consumer deposits

Electricity	307,252	283,618
Water	345,553	330,194
Housing rental	1,706	1,706
	654,511	**615,518**

Figures in R	30 June 2024	30 June 2023 Restated

17. Employee benefit obligation

Defined benefit plan - Employee benefit obligation

The plan a post employment medical benefit plan.

Post retirement medical aid plan

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

Members

Continuation members (pensioners)	4	4

Figures in R	30 June 2024	30 June 2023 Restated

Employee benefit obligation continued...

Carrying value

Post Employment Medical Aid	2,041,000	1,971,000
Long service award liability	4,668,000	4,391,000
	6,709,001	**6,362,001**

Included in current assets	-	-
Non - current liabilities	5,713,000	5,738,000
Current liabilities	996,000	624,000
	6,709,000	**6,362,000**

Long Service Awards

Current portion	741,000	389,000
Non Current Portion	3,927,000	4,002,000
	4,668,000	**4,391,000**

Post Employment Medical Aid

Current portion	255,000	235,000
Non Current Portion	1,786,000	1,736,000
	2,041,000	**1,971,000**

Post Retirement Health Care Benefits

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

Key financial assumptions used:

Discount rate	10.75%.	11.01%.
CPI (Consumer Price Inflation)	4.94%.	5.44%.
Medical aid contribution inflation rate	6.44%.	6.94%.
Net discount rate	**4.05%.**	**3.81%.**

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment DBO. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of the benefit payments, current market rates of appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.75% per annum has been used. The corresponding index-linked yield at this term is 5.06%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2024.

Figures in R	30 June 2024	30 June 2023 Restated

Employee benefit obligation continued...

Yields were determined by looking at the duration of the DBO and finding the fixed interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the DBO, which in turn depends on the yields). The DBO's duration has been estimated to be 7.25 years.

Medical Aid Contribution Inflation Rate

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

A medical aid contribution inflation rate of 6.44% per annum has been assumed. This is 1.50% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 4.94% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.05% per annum which derives from ((1+10.75%)/(1+6.44%))-1.

The CPI inflation assumption of 4.94% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.06%) and those of fixed interest bonds (10.75%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was thus determined as follows: ((1+10.75%-0.50%)/(1+5.06%))-1.

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

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality:

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

Family Profile

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

SENSITIVITY ANALYSIS

Introduction

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate.

Figures in R	30 June 2024	30 June 2023 Restated

Employee benefit obligation continued...

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

a one percentage point increase and decrease in the assumed rate of health care cost inflation;
a one percentage point increase and decrease in the discount rate; and
a one-year age increase and decrease in the assumed rates of post-employment mortality.

Table 7.1 summarises the results of the sensitivity analysis.

Table 7.1: Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Total DBO	% Change
Central assumptions		2.041	
Medical aid contribution inflation rate	.+1%	2.187	7%
	.-1%	1.911	-6%
Discount rate	.+1%	1.917	-6%
	.-1%	2.183	7%
Post-employment mortality	.+1 yr	1.958	-4%
	.-1 yr	2.125	4%

Net expense recognised in the statement of financial performance.

Interest cost	204,000	212,000
Actuarial (gains) losses	112,067	(10,388)
Benefits Vesting	(246,067)	(291,612)
	70,000	**(90,000)**

Long Service Award

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

	30 June 2024	30 June 2023
Number of eligible employees	166	163
Average annual earnings	269,299	262,745
Average age	46.6	46.2
Average past service	14	14

Table below describes the benefits awarded.

Completed service (In Years)	Long Service Award (% of Annual Earnings)	Description
10	7.0%	(10/250 +3%) x annual earnings
15	8.0%	(10/250 +4%) x annual earnings
20	11.0%	(15/250 +5%) x annual earnings
25, 30, 35, 40, 45	12.0%	(15/250 +6%) x annual earnings

Employee benefit obligation continued...

In the month that each “completed service” milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day.

Assumptions used at the reporting date:

	30 June 2024	30 June 2023
Discount rate	10.68%.	11.01%.
CPI inflation rate	4.91%.	5.44%.
General earnings inflation rate	5.91%.	6.44%.
Net discount rate	**4.51%.**	**4.29%.**

Financial Assumptions

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.68% per annum has been used. The corresponding index-linked yield is 5.03%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2024.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 7 years.

Earnings Inflation Rate

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

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 4.91% per annum was obtained from the differential between market yields on index-linked bonds (5.03%) consistent with the estimated term of the DBO and those of nominal bonds (10.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected CPI inflation is determined as ((1+10.68%-0.50%)/(1+5.03%))-1.

Figures in R	30 June 2024	30 June 2023 Restated

Employee benefit obligation continued...

Thus, a general earnings inflation rate of 5.91% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.51%.

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

Net expense recognised in the statement of financial performance.

	30 June 2024	30 June 2023 Restated
Current service cost	370,000	385,000
Interest cost	463,000	445,000
Actuarial (gains) losses	(167,000)	(210,000)
Benefits Vesting	(389,000)	(628,000)
	277,000	**(8,000)**

SENSITIVITY ANALYSIS

Introduction

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

i) the general earnings inflation rate assumption;
ii) the discount rate assumption;
iii) the average retirement age of employees; and
iv) assumed service termination rates.

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
ii) a one percentage point increase and decrease in the assumed discount rate;
iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Table 7.1 summarises the results of the sensitivity analysis.

Table 7.1: Sensitivity analysis on the DBO

Figures in R	30 June 2024	30 June 2023 Restated

Employee benefit obligation continued...

Assumption	Change	DBO	% Change
Central assumptions		4,668,000	
General earnings inflation rate	.+1%	4,898,000	5%
	.-1%	4,456,000	-5%
Discount rate	.+1%	4,457,000	-5%
	.-1%	4,901,000	5%
Average retirement age	.+2 yrs	5,147,000	10%
	.-2 yrs	4,268,000	-9%
Rates of termination of service	x2	3,986,000	-15%
	x0.5	5,101,000	9%

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise the following balances

	30 June 2024	30 June 2023 Restated
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	2,721,644
Intergrated National Electrification Grant	-	1,851,421
Capacity Building Grant	54,932	54,932
Library Grant	2,023	2,023
Local Government Sector Education and Training Authority (SETA)	191,277	103,973
	248,232	**4,733,993**

Movement during the year

	30 June 2024	30 June 2023 Restated
Balance at the beginning of the year	4,733,993	5,621,046
Additions during the year	45,192,130	24,312,094
Income recognition during the year	(45,104,824)	(21,811,422)
Funds Withheld	(4,573,067)	(3,387,725)
	248,232	**4,733,993**

19. Provisions

Provisions continued...

Details of other provisions

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	54,467,043	(16,740,033)	6,190,615	43,917,625

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	49,438,592	(216,242)	5,244,693	54,467,043

Environmental rehabilitation provision

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Longlands
- Delportshoop

Unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 5,48%.

Discount Rate:

In accordance with GRAP 19, where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditure expected to be required to settle the obligation. As a result of the long operational life of landfill sites, in general, time value of money is material and therefore considered in the calculation of the landfill rehabilitation provision. The period over which the landfill rehabilitation provision is discounted, is based on the timing of the cash flows required to settle the obligation. The discount rate to be used in calculating the landfill rehabilitation provision is a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate has been supplied by BCMM.

Figures in R	30 June 2024	30 June 2023 Restated

Provisions continued...

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

1) For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
2) For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
3) For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

20. Service Charges

Sale of electricity	31,630,213	25,968,077
Sale of water	35,329,572	30,334,070
Sewerage and sanitation charges	3,281,946	3,157,814
Refuse removal	11,748,078	11,480,485
Indigent subsidies	(486,672)	(402,087)
	81,503,137	**70,538,359**

21. Interest received

Property rates	16,862,809	14,435,319
Service charges	55,609,176	50,423,827
	72,471,985	**64,859,146**

22. Rental Income

Rental Income-third party	836,708	832,603
	836,708	**832,603**

23. Interest Received - Investments

Bank	847,640	888,326
	847,640	**888,326**

24. Other Income

Building Plans	45,780	21,975
Clearance Certificate	136,395	131,030
Sundry Income	415,141	550,656
Reconnection fees	56,353	50,209
	653,669	**753,870**

Figures in R	30 June 2024	30 June 2023 Restated

25. Property rates

Residential	11,047,561	9,665,877
Commercial	5,973,605	5,263,132
State	17,032,999	15,624,300
	34,054,165	**30,553,309**

Valuations

Residential	864,771,000	883,671,376
Commercial	2,135,615,524	142,170,000
State	285,525,000	286,310,000
Municipal	241,545,000	211,412,000
Small holdings and farms	2,065,000	2,001,450,000
	3,529,521,524	**3,525,013,376**

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

The new general valuation was implemented on 01 July 2024.

26. Revenue from non-exchange transactions - Other Income

Revenue from non-exchange transactions - Other Income	(47,957,691)	-
	(47,957,691)	**-**

27. Fines, penalties and forfeits

Traffic fines	112,343	6,950
	112,343	**6,950**

28. Public contributions and donations

Public contributions and donations	110,628	1,456,299
	110,628	**1,456,299**

Figures in R	30 June 2024	30 June 2023 Restated

29. Government grants and subsidies

Operating grants

Equitable share	111,787,915	108,029,408
Finance Management Grant	3,100,000	3,100,000
Local Government Sector Education and Training Authority (SETA)	22,176	475,703
Frances Baard District Municipality Operational Grant	2,378,901	4,345,759
Expanded Public Works Program (EPWP)	920,000	1,073,000
Library Grant	1,252,000	1,200,048
	119,460,992	**118,223,918**

Capital grants

Municipal Infrastructure Grant (MIG)	23,775,644	19,041,356
Integrated National Electrification Programme (INEP)	6,851,421	1,940,849
Frances Baard District Municipality Capital Grant	4,637,186	2,470,549
	35,264,251	**23,452,754**
	154,725,243	**141,676,672**

Allocations In-kind: Operational

National Treasury - Contribution to Audit Fees	809,206	1,539,816
	809,206	**1,539,816**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	43,746,534	33,647,264
Unconditional grants received	111,787,915	108,029,408
	155,534,449	**141,676,672**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated to the municipality in terms of Section 214 of the Constitution (Act 108 of 1996) by National Treasury.

Equitable Share

Current-year receipts	111,787,915	102,507,000
Conditions met - transferred to revenue	(111,787,915)	(108,029,408)
Amounts granted as set off against Unspent Grants	-	5,522,408
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Figures in R	30 June 2024	30 June 2023 Restated

Government grants and subsidies continued...

Finance Management Grant

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

Conditions still to be met - remain liabilities (see note 18).

Frances Baard District Municipality Grants (operational and capital)

Current-year receipts	2,251,628	6,730,311
Conditions met - transferred to revenue	(2,251,628)	(6,730,311)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Program (EPWP)

Current-year receipts	920,000	1,073,000
Conditions met - transferred to revenue	(920,000)	(1,073,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

National Treasury - Contribution to Audit Fees

Current-year receipts	809,206	1,539,816
Conditions met - transferred to revenue	(809,206)	(1,539,816)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Department of Water Affairs

Balance unspent at beginning of year	-	2,541,190
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to Equitable Share as per Letter from Treasury	-	(2,541,190)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Figures in R	30 June 2024	30 June 2023 Restated

Government grants and subsidies continued...

Balance unspent at beginning of year	2,721,644	2,981,218
Current-year receipts	21,054,000	21,763,000
Conditions met - transferred to revenue	(21,054,000)	(19,041,356)
Transfer to Equitable Share as per Letter from Treasury	(2,721,644)	(2,981,218)
	-	**2,721,644**

Conditions still to be met - remain liabilities (see note 18).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1,851,421	-
Current-year receipts	5,000,000	4,000,000
Conditions met - transferred to revenue	(5,000,000)	(1,940,849)
Transfer to Equitable Share as per Letter from Treasury	(1,851,421)	(207,730)
	-	**1,851,421**

Conditions still to be met - remain liabilities (see note 18).

Capacity Building Grant

Balance unspent at beginning of year	**54,932**	**54,932**

Conditions still to be met - remain liabilities (see note 18).

Library Grant

Balance unspent at beginning of year	2,071	2,071
Current-year receipts	1,252,720	1,200,000
Conditions met - transferred to revenue	(1,252,720)	(1,200,000)
	2,071	**2,071**

Conditions still to be met - remain liabilities (see note 18).

Local Government Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	103,973	41,635
Current-year receipts	109,480	538,041
Conditions met - transferred to revenue	(22,176)	(475,703)
	191,277	**103,973**

Conditions still to be met - remain liabilities (see note 18).

Figures in R	30 June 2024	30 June 2023 Restated

30. Employee related costs

Basic	50,130,176	47,815,842
Bonus	3,742,658	4,172,993
Medical aid - company contributions	4,431,164	4,098,419
UIF	356,143	382,111
SDL	580,189	228,774
Leave pay provision charge	672,329	182,061
Other short term costs	26,346	23,112
Pension	7,829,172	7,445,087
Travel, motor car, accommodation, subsistence and other allowances	80,834	191,042
Overtime payments	6,231,052	8,698,288
Long-service awards	143,025	384,999
Acting allowances	1,627,133	2,529,170
Housing benefits and allowances	116,239	121,412
Standby Allowance	409,815	451,368
	76,376,275	**76,724,678**

Remuneration of municipal manager - BH Tsinyane

Annual Remuneration	1,053,246	1,005,495
Car Allowance	66,042	66,042
Acting Allowance	94,917	93,629
Contributions to UIF and other contributions	34,818	54,778
	1,249,022	**1,219,944**

Remuneration of chief financial officer - LS Itumeleng

Annual Remuneration	-	890,326
Car Allowance	-	125,000
Contributions to UIF, Medical and Pension Funds	-	11,765
Leave Payout	-	127,690
	-	**1,154,781**

Remuneration of acting chief financial officer - CB Mokeng

Annual Remuneration	865,905	802,282
Annual bonus	72,159	66,857
Housing Allowance	12,797	12,141
Acting Allowance	107,575	99,131
Long Service Award	-	24,068
Contributions to UIF, Medical and Pension Funds	231,893	214,589
	1,290,329	**1,219,068**

Remuneration of technical services director - PA Nthoba

Annual Remuneration	1,304,015	1,030,347
Contributions to UIF, Medical and Pension Funds	15,304	12,559
	1,319,319	**1,042,906**

Figures in R	30 June 2024	30 June 2023 Restated

Employee related costs continued...

Remuneration of acting technical services director - DV Makaleni

Annual Remuneration	**473,001**	438,242
Annual bonus	**39,884**	-
Acting Allowance	**97,040**	173,355
Contributions to UIF, Medical and Pension Funds	**176,034**	163,144
	785,959	**774,741**

Figures in R	30 June 2024	30 June 2023 Restated

31. Remuneration of councillors

	30 June 2024	30 June 2023 Restated
Councillors	**5,846,117**	**5,590,033**

2024

	Annual Remuneration	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	893,350	3,600	9,822	**906,772**
Speaker LG Phetlhane	716,488	1,500	8,288	**726,276**
Chief whip - MN Jacobs	373,818	1,500	5,346	**380,664**
Councillor - WAS Hendricks	282,710	3,600	4,586	**290,896**
Councillor - I Raadt	362,814	3,600	5,273	**371,687**
Councillor - DT Pitso	282,710	3,600	4,586	**290,896**
Councillor - S Blom	282,710	14,400	4,694	**301,804**
Councillor - SI Metswi	282,710	1,500	4,565	**288,775**
Councillor - LDK Leeuw	372,462	3,600	5,353	**381,415**
Councillor - CJ Mostert	369,378	13,600	5,474	**388,452**
Councillor BP Thobi	282,559	4,556	4,556	**291,671**
Councillor - MM Bezuidenhout	362,814	5,400	5,489	**373,703**
Councillor - R.T Springbok	276,886	1,500	4,506	**282,892**
Councillor - D Papers	282,710	1,500	4,790	**289,000**
Councillor ID Lemoen	275,222	1,500	4,490	**281,212**
	5,699,341	**64,956**	**81,818**	**5,846,115**

Figures in R	30 June 2024	30 June 2023 Restated

Remuneration of councillors continued...

2023

	Annual Remuneration	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	861,801	6,000	12,522	**880,323**
Speaker LG Phetlhane	689,438	6,000	8,091	**703,529**
Chief whip - MN Jacobs	360,618	6,000	5,126	**371,744**
Councillor - WAS Hendricks	272,728	6,000	4,386	**283,114**
Councillor - I Raadt	350,001	6,000	5,030	**361,031**
Councillor - OB Gopane	90,908	-	1,548	**92,456**
Councillor - DT Pitso	272,728	6,000	4,389	**283,117**
Councillor - S Blom	272,728	6,000	4,539	**283,267**
Councillor - SI Metswi	272,728	6,000	4,443	**283,171**
Councillor - LDK Leeuw	274,627	6,000	4,856	**285,483**
Councillor - CM De Bruyn	230,523	35,700	2,798	**269,021**
Councillor - CJ Mostert	356,565	6,000	5,049	**367,614**
Councillor BP Thobi	156,114	2,100	2,764	**160,978**
Councillor - MM Bezuidenhout	275,557	26,700	5,061	**307,318**
Councillor - PS Combrink	2,788	-	55	**2,843**
Councillor - KE Motshabi	2,761	-	27	**2,788**
Councillor - MA Mahutie	4,133	-	41	**4,174**
Councillor - DA Macinga	2,761	-	-	**2,761**
Councillor - T Saul	4,133	-	41	**4,174**
Councillor - AJ Mafofololo	4,092	-	-	**4,092**
Councillor - MP Chupologo	4,133	-	41	**4,174**
Councillor - MK Konote	149,819	7,500	2,318	**159,637**
RT Springbok	113,636	1,500	1,844	**116,980**
Councillor - ME Kleinjan	2,761	-	27	**2,788**
Councillor - D Papers	272,728	6,000	4,889	**283,617**
Councillor ID Lemoen	68,181	900	1,051	**70,132**
	5,368,990	**140,400**	**80,936**	**5,590,326**

32. Depreciation and amortisation

	30 June 2024	30 June 2023 Restated
Property, plant and equipment	22,735,484	27,209,760
Investment property	279,797	292,167
Intangible assets	46,241	45,508
	23,061,522	**27,547,435**

33. Finance costs

	30 June 2024	30 June 2023 Restated
Landfill rehabilitation	6,580,615	5,244,693
Employee Benefits	667,000	445,000
Trade and other payables	25,588,956	13,744,270
DBSA Loan	-	397,792
	32,836,571	**19,831,755**

Figures in R	30 June 2024	30 June 2023 Restated

34. Debt Impairment

Debt Impairment	37,837,033	30,845,895

35. Bulk purchases

Electricity	46,857,787	40,429,003

36. Contracted Services

Consultant and Professional fees	15,625,662	13,684,981
Outsourced services	10,813,650	11,232,550
Contractors	7,640,968	11,758,987
	34,080,280	**36,676,518**

37. General expenses

Advertising	2,095	3,077
Assessment rates and municipal charges	157,094	241,196
Auditors remuneration	3,722,071	3,101,829
Bank charges	517,936	745,654
Computer expenses	3,755,915	2,937,242
Fuel and oil	3,075,579	2,410,721
Printing and stationery	567,677	584,503
Protective clothing	664,835	678,763
Inventory, spares and materials consumed	14,465,642	14,090,828
Staff Welfare	294,884	153,343
Subscriptions and membership fees	926,295	1,817,881
Telephone and fax	2,182,885	2,119,852
Travel - Local	1,235,308	1,291,763
Other expenses	2,720,248	920,632
	34,288,464	**31,097,284**

38. Acturial gain /(loss)

Acturial gain/ loss	54,933	220,388

39. Impairment of assets

Property, plant and equipment	8,829,426	2,071,678
Investment Property	3,387,599	-
Heritage assets	559,859	-
	12,776,884	2,071,678

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

40. Gain or loss ( ) on disposal of assets and liabilities

Property, plant and equipment	9,341,172	35,308

41. Cash generated from operations

Surplus	95,092,756	40,936,335
Adjustments for:		
Depreciation and amortisation	23,061,522	27,547,435
(Profit) / loss on disposal of property, plant and equipment	9,341,172	5,244,693
Debt impairment	37,837,033	30,845,895
Movement in Provision:		
Provisions - Non-current	(8,154,267)	
Movement in DBO		
Provisions - Non-current	347,000	(122,388)
Impairment deficit	12,855,457	2,071,678
Other non items	-	(8,356,703)
Changes in working capital:		
Assets:		
Inventory	(1,069,733)	331,404
Other receivables from exchange	(1,908,504)	906,060
Consumer receivables from non-exchange	(36,706,089)	(35,614,170)
Consumer receivables from exchange	(111,462,876)	(85,833,360)
Liabilities:		
Payables	16,036,651	53,803,987
Unspent conditional grant	(4,485,761)	(887,053)
VAT Payable	3,474,498	249,587
Consumer deposits	38,993	2,861
	34,297,852	**31,126,261**

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

42. Contingent Liabilities

Dikgatlong Municipality /Engelsman Magabane Inc -Skillfull 1149 CC	7,661,329	7,661,329
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	300,000	300,000
Dikgatlong Municipality /Department of Water and Sanitation	40,390,949	40,390,949
Dikgatlong Municipality /Barkly-Wes Slaghuis	150,000	150,000
Dikgatlong Local Municipality /S. Hendricks	15,000	15,000
Dikgatlong Local Municipality /Katrina Afrika	520,000	520,000
Dikgatlong Local Municipality /CM De Bruyn	-	272,323
Dikgatlong Local Municipality // Eskom holding	-	55,963,649
Dikgatlong Local Municipality/Danie Dry	11,887	11,887
Dikgatlong Local Municipality /Anna Jammer	11,598	11,598
Dikgatlong Local Municipality /Donald Thabo Mohapi	100,000,000	100,000,000
Dikgatlong Local Municipality /Peso Dealers	-	1,570,713
Dikgatlong Local Municipality /Pamodzi Revenue and Energy Solutions (Pty) Ltd	10,243,813	10,243,813
Dikgatlong Local Municipality / Auditor General of South Africa	-	2,270,597
Closing balance	**159,304,576**	**219,381,858**

Contingent Liabilities

Dikgatlong Municipality /Engelsman Magabane Inc -Skillfull 1149 CC
Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. The assesment of the uncertainities was impracticable.

Dikgatlong Municipality / Legal Aid on behalf of E Lebogang
A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality. A civil claim pending is currently pending at court against Dikgatlong Municipality. The assesment of the uncertainities was impracticable.

Dikgatlong Municipality /Department of Water and Sanitation
The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet. The parties are busy with the exchange of documents for court proceeding. The assesment of the uncertainities was impracticable.

Dikgatlong Municipality /Barkly-Wes Slaghuis
An application was launched to interdict the Municipality from disconnecting the electricity supply pending the review of the Municipality’s decision. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /S. Hendricks
Claim to property dispute REF: DIK 076.Municipality to settle the matter with Hendricks. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /Katrina Afrika
Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality. We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality/Danie Dry
Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction. It was not practical to disclose uncertainities relating to the contingent liability. The processes are being followed between the parties in order to get the matter trial ready. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /Donald Thabo Mohapi
Mr Donald Thabo Mohapi made an application to the High Court of South Africa for alleged damages by the Department of Corporative Governance and Traditional Affairs as the first Defendant and Dikgatlong Municipality as the second defendant. The parties are busy with the exchange of documents to determine whether the municipality has any accountability in the matter. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /Anna Jammer
There is a letter of demand and we have requested client to give instructions on the way forward. There is uncertainities with regards to the estimated amount. The matter is at finalization stage. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality/ Pamodzi Revenue and Energy Solutions (Pty) Ltd
The Municipality has entered an appearance to defend the matter and disputes the claim. The legal process is still in early stage. There is uncertainities with regards to the estimated amount. Plaintiff has submitted a claim at court for an against the municipality for debt collection. The assesment of the uncertainities was impracticable.

Figures in R	30 June 2024	30 June 2023 Restated

43. Related parties

Relationships

Interest in relates parties	Councillors and / or management of the municipality
Services rendered to related parties	The services rendered to Related Parties are charged at approved tariffs that were advertised to t he public. We have disclosed t his information under the heading Councillors arrear consumer accounts.
Compensation of related parties	Compensation of key management personnel is set out in note 30
Compensation of related parties	Compensation of councillors is set out in note 30
Related party relationships	The municipalities 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.
Councillors	Councillors balances as set out in note 52
Acting Municipal Manager	No business interest, shares and / or directorships held
Acting Chief Financial Officer	No business interest, shares and / or directorships held
Corporate Services Director	No business interest, shares and / or directorships held
Technical Services Director	No business interest, shares and / or directorships held

Related party balances

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

DR Gopane	-	23,767
MN Jacobs	25,028	97,924
SI Metswi	308,197	265,252
I Raadt	35,074	31,037
MM Bezuidenhout	88,127	28,780
WAS Hendrick	22,996	20,346
	479,422	**467,106**

For Remuneration of Councillors, please refer to Note 31

For Detailed Remuneration of Key Management, please refer to Note 30

44. OTHER TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS

RFQ28/2023/24 supply, delivery and offloading of high mast light LED bulbs awarded to Genlux Lighting where the director has a spouse in the service of state

The following are the details of the spouse who is in service of the state:

Name: Tanja Lubbe
Department: Gauteng education department
Occupation: Teacher
Amount: R187 904.95

T12/2023/24 refurbishment of Barkly west wastewater treatment works awarded to TM Civils where the director is in the service of state.

The following are the details of the spouse who is in service of the state:
Name: Keitumetse Marumo
Department: Northern Cape Provincial Treasury
Occupation: Administration Officer
Amount: R3 302 553,75

45. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 797 809 654 and that the municipality's total assets exceed total liabilities by R 797 809 654.

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

1 The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2 The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
3 The consumer debtors days outstanding increased to 3 246 days from (2023: 3156 days).
4 Electricity distribution losses (technical and non-technical) have decreased to 35% (2023: 46%) and the water distribution losses has decreased to 18% from (2023: 19%).
5 The municipality's current assets exceeds it's current liabilities by R 141 554 209 (2023: R69 923 203) which indicates current ratio which is below the required norm of 1.5 - 2.
6 The municipality realised a surplus for the year under review of R 54 205 014 (2023: surplus R 40 921 419), the major contributors to this change is increase in Property Rates, Service Charges and Transfer Revenue.

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

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

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

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

Figures in R	30 June 2024	30 June 2023 Restated

46. Unauthorised expenditure

Opening balance as previously reported	253,935,658	333,861,655
Opening balance as restated	253,935,658	333,861,655
Add: Expenditure identified - current	-	-
Less: Approved/condoned/authorised by council	-	(79,925,997)
Closing balance	**253,935,658**	**253,935,658**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Details of unauthorised expenditure – prior year

Overspending of budget - Vote 1

Figures in R	30 June 2024	30 June 2023 Restated

47. Fruitless and wasteful expenditure

Opening balance as previously reported	31,101,415	31,850,295
Opening balance as restated	**31,101,415**	**31,850,295**
Add: Expenditure identified - current	5,484,016	14,062,967
Less: Amount written off - current	-	(7,391,599)
Less: Amount written off - prior period	-	(7,420,248)
Closing balance	**36,585,431**	**31,101,415**

Details of fruitless and wasteful expenditure – current year

Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	4,830,913
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	653,103

Details of fruitless and wasteful expenditure – Prior Year

Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	13,431,054
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	596,291
Interest and penalties on late payment - SARS VAT	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.	35,622

Disciplinary steps taken/criminal proceedings

-

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Figures in R	30 June 2024	30 June 2023 Restated

48. Irregular expenditure

Opening balance as previously reported	178,416,116	177,463,671
Add: Irregular Expenditure - Prior periods	48,158,005	-
Opening balance as restated	**226,574,121**	**177,463,671**
Add: Irregular Expenditure - current	3,462,432	1,762,768
Condoned or written off by Council	(178,416,116)	(810,323)
Closing balance	**51,620,437**	**178,416,116**

The payment population will be inspected again to confirm if there is other unrecognised irregular expenditure.

The amounts disclosed is inclusive of VAT.

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Figures in R	30 June 2024	30 June 2023 Restated

49. Deviation from supply chain management regulations

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

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

2024

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Sole Provider	79,101	30,018	-	**109,119**
Emergency	-	97,243	242,635	**339,878**
Other	313,732	1,816,332	1,726,043	**3,856,107**
	392,833	**1,943,593**	**1,968,678**	**4,305,104**

2023

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Sole Provider		222,240	-	**222,240**
Emergency	166,389	542,975	3,052,661	**3,762,025**
Other	522,171	1,994,083	301,183	**2,817,437**
	688,560	**2,759,298**	**3,353,844**	**6,801,702**

Deviations are inclusive of VAT.

50. Prior period adjustments

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

Prior period adjustments continued...

50.1 Employee Related Costs

During the 2024 financial period the municipality’s management realised that the employee costs was understated by R54 371,02 due to Accrued leave pay that was not accounted for in error in 2023 financial year. The prior period was adjusted retrospectively. The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Employee Related Costs	-	54,371
Payables from Exchange Transactions	-	(54,371)

Prior period adjustments continued...

50.2 Service Charges

During the 2024 financial period the municipality’s management realised that Revenue From Exchange Transactions amounting to R822 621 was incorrectly not recognised in 2022 financial year. This was due to the following;

Accrued revenue relating electricity amounting to R602 063 that was not accounted for in the 2022 financial year. Accrued relating water amounting to R348 022 that was not accounted for in the 2022 financial year. Deferred revenue relating electricity amounting to R127 465 that was not accounted for in the 2022 financial year The prior period was adjusted retrospectively.

The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Increase in Accumulated Surplus	-	(822,621)
Decrease in Statutory Receivables (VAT)	-	(123,393)
Increase in Payables from Exchange Transactions	-	(146,584)
Increase Receivables from Exchange Transactions	-	1,092,598

During the 2024 financial period the municipality’s management realised that accrued and deffered revenue recognised in the 2022 financial year detailed below was incorrectly not reversed in the 2023 financial year. Accrued revenue relating electricity amounting to R602 063 recognised in 2022 financial not reversed in the 2023 financial year. Accrued relating water amounting to R348 022 recognised in the 2022 financial year was not reversed in the 2023 financial year. Deferred revenue relating electricity amounting to R127 465 recognised in the 2022 financial year was not reversed in the 2023 financial year.

The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Increase in Accumulated Surplus	-	(822,621)
Decrease in Statutory Receivables (VAT)	-	(123,393)
Increase in Payables from Exchange Transactions	-	-
Increase Receivables from Exchange Transactions	-	1,092,598

During the 2024 financial period the municipality’s management realised that accrued and deffered revenue recognised in the 2022 financial year detailed below was incorrectly not reversed in the 2023 financial year.

Accrued revenue relating electricity amounting to R602 063 recognised in 2022 financial not reversed in the 2023 financial year. Accrued relating water amounting to R348 022 recognised in the 2022 financial year was not reversed in the 2023 financial year. Deferred revenue relating electricity amounting to R127 465 recognised in the 2022 financial year was not reversed in the 2023 financial year.

The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Increase in Revenue from Exchange Transactions	-	(366,190)
Decrease in Statutory Receivables (VAT)	-	(54,929)
Increase Receivables from Exchange Transactions		584,631

Prior period adjustments continued...

50.3 Contracted services

During the 2024 financial period the municipality's management realised that Input VAT relating to an invoice was incorrectly captured against security services expense in 2023 financial year. Furthermore , a payment in advance was incorrectly classified as general expenditure in 2023. The prior period was adjusted retrospectively. The effect of the error on the individual line items in the financial statements is as follows:

The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Increase in Statutory Receivables (VAT)	-	235,290
Decrease general expenditure	-	(245,731)
Increase in receivables		10,441

50.4 Cash and cash equivalents

During the year it was indentified that an payment amounting to R95 226,58 was erronesouly processed in cashbook in 2023 financial year without necessary adequate approval per delegation of authority. The Payables from exchange transactions was understated and cash and cash equivalents were understated as a result. Short terms deposits votes amounting to R364 329 were incorrectly mapped to Balances with banks in the 2023 financial year resulting in overstatement of Balances with banks and undestatement of short term deposits.

50.5 Receivables from Exchange transactions

During the 2023/24 financial year it was identified that some consumer accounts for electricity were billed in error in the 2023 financial year. The error was due billing of services charges for a property that did not exist at the time of billing and malfunctioning of services charges meters, Receivables from exchange transactions were overstated by R-9 127 983,00 as a result. The prior period was adjusted retrospectively.

Audit Fees

During the current year we identified that audit fees were not completely disclosed by R465 274, interest portion of the audit fess amounting to R234 449.00 was not disclosed and line item for amount paid in the current year was understated by R1 776 736 in 2022/2023 financial year .The prior period error was restated, respectively.

Prior period adjustments continued...

50.6 General Expenditure

During the 2023/24 financial period the municipality’s management realised the expenditure was not classified according to nature of expense and to the mSCOA in the 2023 financial year. The prior period was adjusted retrospectively. The effect of the error on the individual line items in the financial statements is as follows:

	2024	2023
Other income		22,349
Bulk purchases		(22,349)
Inventory , spares and materials consumed		494,632
Consulting and professional fees		352,694
Other expenses		244,728
Computer expenses		(628,278)
Contracted services		(480,793)
Subscriptions and membership fees		7,205
Travel - local		(630)
Receivables from Exchange transactions		10,442

During the 2023/24 financial period the municipality’s management realised the expenditure was not classified according to nature of expense and to the mSCOA in the 2023 financial year. The reclasification was done Contracted Services disclosed separately and prior period was adjusted retrospectively.
The effect of the error on the individual line items in the financial statements is as follows:

Expenditure	(36,676,518)
Contracted Services	36,676,518

50.7 Revenue from exchange transactions

During the 2024 financial year management realised that some services charges, interest and property rates were inccorrectly billed billed in the 2023 financial year. Interest received was understated by R62 848, interest received, property rates was understated by R132 501 as a result. The prior period error was restated respectively.

Receivables from Non-exchange Transactions	243,851
Receivables from Exchange Transactions	62,847
Service charges	(306,698)

Prior period adjustments continued...

50.8 Operating lease assets

"During the 2023/24 financial period the municipality's management realised the operating lease assets was not completely accounted for due to error of omission in the 2022 and 2023 financial year. The prior period was adjusted retrospectively. The operating lease assets was understanded by R39 057 and Accumulated Surplus understated by R22186 and operating lease expense by 16 872"

During the 2023/24 financial period the municipality's management realised that Payables from Exchange Transactions were understated by R277 878 due to accrual of leave that was not accounted for , an uncleared payment that was erroneously processed in the cashbook , deferred revenue and payment in advance that was incorrectly accounted for in the 2023 financial year. The prior period was adjusted retrospectively.

During the 2023/24 financial period the municipality's management realised that Services Charges amounting to R619 112 were incorrectly processed due to incorrect billings, the error resulted in overstatement of Services Charges in 2023. The prior period was adjusted retrospectively.

50.9 Property, plant and Equipment

During the 2024 financial year , management realised that PPE was not correctly accounted for in terms of GRAP 17 and that PPE was not completed record in assets register, as a result PPE was understated by R13 669 480, The prior period error was restated respectively.

During the 2024 financial year , management realised that Heritage Assets incorrectly classified as Investment Property , as a result Heritage Assets was understated by R748 381, The prior period error was restated respectively.

During the 2024 financial year , management realised that Investment Property was not completely accounted for , as a result Investment Property
was understated by R4 393 431, The prior period error was restated respectively.

During the 2024 financial year , management realised Loss on disposal of assets and liabilities amounting to was not accounted for in 2023 financial year, The prior period error was restated respectively.

50.10 Cashflow statement

The cashflow statement for the 2022/23 financial year was restated for the effects of the errors above.

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

Notes to the Financial Statements

Figures in R	30 June 2024	30 June 2023 Restated

Prior period adjustments continued...

50.11 Statement of financial position

	Previously reported	Correction of Prior Period Error	Restated Balance
Operating lease asset	22,186	39,058	61,244
Statutory Receivables (VAT)	92,720,765	204,765	92,925,530
Other receivable from exchange transaction	2,711,727	(32,006)	2,679,721
Receivables from exchange transactions	215,337,379	(9,127,983)	206,209,396
	80,744,101	162,692	80,906,793
Cash and cash equivalents	338,191	95,227	433,418
Investment property	47,482,180	4,393,431	51,875,611
Property, plant and equipment	626,077,781	13,669,480	639,747,261
Heritage assets	12,222,699	748,381	12,971,080
Payables from exchange transactions	(307,893,769)	(277,878)	(308,171,647)
Accumulated Surplus	(704,594,712)	(41,033,765)	(745,628,477)
	65,168,528	**(31,158,598)**	**34,009,930**

Statement of financial perfomance

	Previously reported	Correction of Prior Period Error	Restated Balance
Service Charges	69,778,381	(619,112)	69,159,269
Interest received	50,360,979	62,848	50,423,827
Rental income	823,465	9,138	832,603
Other income	776,218	(22,348)	753,870
Interest received - Property rates	14,302,818	132,501	14,435,319
Employee related costs	(76,670,306)	(54,372)	(76,724,678)
Depreciation and armotisation	(26,641,426)	(855,989)	(27,497,415)
Bulk purchases	(40,451,351)	22,348	(40,429,003)
Contracted services	-	(36,676,518)	(36,676,518)
General expenses	(68,019,536)	36,676,518	(31,343,018)
Impairment loss	(2,691,794)	-	(2,691,794)
Loss on disposal of assets and liabilities	(45,508)	628,728	583,220
	(78,478,060)	**(696,258)**	**(79,174,318)**

Presentation and Disclosure	**Previously reported**	**Correction of Prior Period Error**	**Restated Balance**
Section 57 (C Mokeng) - Annual Remuneration	869,139	(66,856)	802,283
Section 57 (C Mokeng) - Bonus	-	66,856	66,856
Fruitless and Wasteful Expenditure	31,101,415	8,540	31,109,955

Irregular expenditure

Figures in R	30 June 2024	30 June 2023 Restated

Prior period adjustments continued...

Opening balance		170,268,683
Adjustments made		7,194,988
Restated opening balance		**177,463,671**

51. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% will be explained on the annual financial statements for the year ended 30 June 2024.

Service Charges
Service charges increased by more than 10% due to a 5-7% annual tariff increase and increased efficiencies in revenue billing

Rental Income
Rental income increased by more than 10% due to an annual tariff increase of 6% and increased rental of investment property

Sale of goods and rendering of services
Below 10% variance. The initial variance is because the sale of rendering of services votes did not pull through. The ampount is included in other income.

Interest earned from receivables
Revenue collection strategy implemented to recover outstanding debt from consumes decreasing individual debtors account.

Interest received- Investment
Constant withdrawals of monies invested in the call account leading to a decrease in expected interest.

Irrecoverable debts written off
No irrecoverable debts written off.

Non-Exchange Interest Revenue
Non-exchange interest revenue decreased by more than 10% due to an incorrect budget calculation.

Fines, penalties and forfeits
Fines, penalties and forfeits increased by more than 100% due to the early than expected resumption of the Traffic Department operations.

Operational revenue
Operating revenue increased by more than 10% due to an interest charge write off by Eskom during the year.

Property Revenue
Property revenue decreased by more than 10% due to an incorrect budget calculation

Debt Impairment
Debt impairment increased by more than 10% due to an increased deterioration in the quality of the debtor book.

Contracted services
Overprojection

Depreciation and armotisation
Over projection

Budget differences continued...

Interest Charge
The interest charge increased by more than 10% due to the high repo rate increases during the year resulting in increased rehabilitation provision interest charges.

Operational Costs
Operational costs decreased by more than 10% due to improved cost containment.

Statement of Financial Position

Cash and cash equivalents
Cash and cash equivalents decreased by more than 10% due to an incorrect budget.

Receivables from exchange and non-exchange transactions
Receivables increased by more than 10% due to low account settlement by consumer debtors.

Inventory
Budgeted more than we incurred due to improved efficiency hence cost saving.

VAT
Cash method used to claim VAT. Only when payment are made to service providers then muncipality can claim VAT input. Increase in payment to services providers resulted in a decrease in VAT receivables.

Intangible assets
Muncipality did not procure software as anticipated.

Financial Liabilities
The municipality did not incur borrowings.

Trade and other payables from exchange transactions
Actual payments not processed as to when the invoices are received, slow processing of payments.

Trade and other payables from non-exchange transactions
Grants allocation was exhausted as required by DoRA

Provisions
Employee benefit obligation actual amount shown (996 000). Therefore the Increase Long service awards is the reason for the variance.

Other Receivables
Other receivables increased by more than 10% due to unforeseen sundry debtors including incorrect debit orders processed in the bank account.

Cashflow Statement

Property rates and service charges cash receipts
Property rates and service charges cash receipts decreased by more than 10% due to lower than expected cash collection.

Budget differences continued...

Suppliers and employees

Payments to suppliers and employees increased by more than 10% due to an incorrect budget and lower than expected cash collect to pay suppliers.

52. Events after the reporting date

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

Figures in R	30 June 2024	30 June 2023 Restated

53. Risk management

Financial risk management

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

Liquidity risk

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

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

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

At 31 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	198,022,437	-	-	-
	198,022,437	**-**	**-**	**-**

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	307,105,409	-	-	-
	307,105,409	**-**	**-**	**-**

Credit risk

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

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

Risk management continued...

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

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

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

Financial instrument	2024	2023
Receivables from exchange transactions	281,854,419	208,228,576
Cash and Cash Equivalents	2,087,263	433,418
	283,941,682	**208,661,994**

Market risk

Interest rate risk

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

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Figures in R		30 June 2024	30 June 2023 Restated

54. Financial Instruments

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

Financial Assets	Classification		
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	30,602,948	52,745,796
Water	Financial Instruments at amortised cost	128,003,159	75,902,178
Property Rentals	Financial Instruments at amortised cost		
Waste Management	Financial Instruments at amortised cost	57,137,856	35,700,986
Waste Water Management	Financial Instruments at amortised cost	37,583,951	20,409,001
Sundry receivables	Financial Instruments at amortised cost	28,526,505	23,470,615
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	1,466,060	64,227
Call Deposits	Financial Instruments at amortised cost	615,764	363,872
Cash on hand	Financial Instruments at amortised cost	5,439	5,319
Total Financial Assets		**283,941,682**	**208,661,994**

Summary of financial assets
Financial Instruments at amortised cost:

Receivables from Exchange Transactions	Electricity	30,602,948	52,745,796
Receivables from Exchange Transactions	Water	128,003,159	75,902,178
Receivables from Exchange Transactions	Sundry receivables	28,526,505	23,470,615
Receivables from Exchange Transactions	Waste Management	57,137,856	35,700,986
Receivables from Exchange Transactions	Waste Water Management	37,583,951	20,409,001
		281,854,419	**208,228,576**
Cash on hand	Cash on hand	5,439	5,319
Cash and Cash Equivalents	Bank Balances	1,466,060	64,227
Cash and Cash Equivalents	Call Deposits	615,764	363,872
		2,087,263	**433,418**
Total Financial Assets		**283,941,682**	**208,661,994**

Financial Liabilities	Classification
Long-term Liabilities	
Capitalised Lease Liability	Cost

Notes to the Financial Statements

Figures in R		30 June 2024	30 June 2023 Restated

Financial Instruments continued...

Trade and Other Payables

Trade payables	Financial Instruments at amortised cost	156,756,148	271,922,496
Sundry control	Financial Instruments at amortised cost	825,260	1,489,532
Retentions	Financial Instruments at amortised cost	3,611,963	2,960,298
Department of transport safety and liason	Financial Instruments at amortised cost	14,184,689	14,184,689
		175,378,060	**290,557,015**

Summary of financial liabilities

Trade Payables	Trade payables	156,756,148	271,922,496
Trade Payables	Sundry control	825,260	1,489,532
Trade Payables	Retentions	3,611,963	2,960,298
Trade Payables	Department of transport safety and liason	14,184,689	14,184,689
		175,378,060	**290,557,015**

55. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	58,598,275	46,355,996
	58,598,275	**46,355,996**

Total capital commitments		
Already contracted for but not provided for	58,598,275	46,355,996
Total commitments	**58,598,275**	**46,355,996**

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies

The commitments are exclusive of VAT.

Figures in R	30 June 2024	30 June 2023 Restated

56. Additional disclosure in terms of Municipal Finance Management Act

Audit Fees

Opening Balance	359,114	2,216,919
Current year Audit Fees	4,280,382	3,567,103
Interest charge	130,297	234,449
Amount Paid - current year	(3,299,931)	(3,442,438)
Amount Paid - Previous years	(359,114)	(2,216,919)
	1,110,748	**359,114**

PAYE and UIF

Opening Balance	684,591	917,284
Current year payroll deductions	10,459,050	10,852,944
Amount Paid - current year	(9,622,353)	(10,168,353)
Amount Paid - Previous years	(684,591)	(917,284)
	836,697	**684,591**

Pension and Medical Aid Contributions

Opening Balance	1,667,792	1,619,465
Current year payroll deductions	23,243,815	19,994,299
Amount Paid - current year	(22,322,509)	(18,326,507)
Amount Paid - Previous years	(1,667,792)	(1,619,465)
	921,306	**1,667,792**

Contribution to SALGA

Opening Balance	859,850	789,555
Current year subscriptions	891,993	852,645
Amount Paid - Previous years	(867,555)	(782,350)
	884,288	**859,850**

For disclosure of VAT kindly refer to Note 5

Figures in R	30 June 2024	30 June 2023 Restated

57. Distribution Losses

Electricity

KWh purchased (units)	17,861,769	17,316,444
KWh sold	(11,689,060)	(9,389,004)
	6,172,709	**7,927,440**
Loss in %	35%.	46%.
Average cost per unit (R)	2.25	1.82
Losses in rand	15,223,673	17,830,741

Electricity losses for the financial year is 35% (2023: 46%). The electricity losses for the current year is 6 172 709KWh (2023: 7 927 440 KWh). The rand value of electricity losses for the current financial year is R15 223 673 (2023: R17 830 741)

Water

Water (KL) purchased	1,254,084	1,119,410
Water (KL) sold to customers	(1,022,504)	(910,236)
	231,580	**209,174**
Loss in %	18%.	19%.
Average cost per unit (R)	9.09	8.59
Losses in rand	2,105,545	1,796,706

Water losses for the financial year is 18% (2023: 19%). The water losses for the current year is 231 580KL (2023:209 174KL). The rand value of water losses for the current financial year is R2 105 545 (2023: R1 796 706)

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six major functional segments. The segments are organised around the functions and these are Budget and Treasury, Planning and Development, Executive and Council, Community Services, Corporate Services, Technical Services.. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Description of Segments and Principal activites

Reportable Segment	Principal activities and Operations
Technical Services	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water, distribution of electricity to residential to residential, commercial and industrial customers in Dikgatlong and provide the link between Eskom and electricity consumers and also road maintanance.
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social service, sport and recreation facilitie, crime prevention and traffic enforcement.
Planning Developmnent	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development.
Executive and Council	This segment is responsible for all aspects of governance of municipality.
Budget and Treasury	This segment is responsible for all aspects fo financial administration of the municipality. Various transactions are managed and administered centrally.
Corporate Services	This segment deals with administration and human resources.

Figures in R

Segment information continued...

2024

	Financial Services	Community Services	Planning Developmnent	Executive and Council	Corporate Services	Total
Revenue						
Revenue from non-exchange transactions	254,632,085	-	-	-	-	**254,632,085**
Revenue from exchange transactions	40,256,326	-	99,194,004	-	-	**139,450,330**
Total segment revenue	**294,888,411**	**-**	**99,194,004**	**-**	**-**	**394,082,415**
Expenditure						
Salaries and wages	12,276,601	3,927,059	40,580,104	2,759,542	16,832,970	**76,376,275**
Other expenses	161,711,866	53,259	23,066,811	6,105,205	8,614,720	**199,551,862**
Depreciation and Armotisation	6,235,898	-	16,825,624	-	-	**23,061,522**
Total segment expenditure	**180,224,365**	**3,980,319**	**80,472,539**	**8,864,747**	**25,447,690**	**298,989,659**
Total Municipality Segmental surplus						**95,092,756**

2023

	Financial Services	Community Services	Planning Developmnent	Executive and Council	Corporate Services	Total
Revenue						
Revenue from non-exchange transactions	186,928,501	1,200,048	-			**188,128,549**
Revenue from exchange transactions	28,883,101	2,339	94,551,545			**123,436,985**
Total segment revenue	**215,811,602**	**1,202,387**	**94,551,545**	**-**	**-**	**311,565,534**
Expenditure						
Salaries and wages	17,083,778	1,324,292	44,439,480	6,445,064	7,432,064	**76,724,678**
Other expenses	102,782,055	990,381	54,634,317	5,119,286	2,831,047	**166,357,086**
Depreciation and Armotisation	1,954,097	-	25,593,338	-	-	**27,547,435**
Total segment expenditure	**121,819,930**	**2,314,673**	**124,667,135**	**11,564,350**	**10,263,111**	**270,629,199**
Total Municipality Segmental surplus						**40,936,335**