Phokwane Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local municipality as defined in the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Phokwane Municipality is a local municipality performing the functions as set out in the Constitution (Act no.105 of 1996)
Mayoral committee	
Mayor	W Harmse (1 September 2023 to 30 June 2024)
	TB Afrika (1 July 2023 to 31 August 2023)
Speaker	W Harmse (1 July 2023 to 31 August 2023)
	GG Halter (1 September 2023 to 30 June 2024)
Councillors	N Peters
	SM Khoza
	OS Tumodi
	TG Diloke
	RP Selogilwe
	E Meyer
	MP Mohale
	SM Mokgobo
	MA van Wyk
	LA Le roux
	VL Janki
	TB Afrika
	TKG Mocumie
	MT van Wyk
	NS Pitso
	MM Setlhogomi
	E Davies
Accounting Officers	Mr Z Nikani (8 May 2023 to 30 June 2023 and 1 December 2023 to current)
	Mr M Vilakazi (Acting from 21 July 2023 to 30 November 2023)
	Mr B. Marima (Acting from 30 June 2023 to 10 July 2023)
Chief Finance Officer (CFO)	Mrs O Sauli (1 December 2023 to current)
	Mrs TP Mmusi (Acting from 14 June 2023 to 30 November 2023)
Registered office	24 Hertzog Street
	Hartswater
	8570
Postal address	Private Bag X3
	Hartswater
	8570
Bankers	First National Bank
	ABSA Bank Limited
Auditors	The Auditor General of South Africa
Attorneys	Kopano Mothibi Inc
	Van de Wall
	Ndwanya Inc

General Information

Members of the audit committee	Rabelani Tshimomola (Chairperson) Yvonne Mothibi Nthabeleng Makhosane Stephen Masikela Zanele Ndlovu
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division of Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no 89 of 1991) Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004

Index

Abbreviations used:

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

Accounting Officers' Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers 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 officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

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

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

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

Mr Z Nikani
Accounting Officer

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in phokwane municipality is a local municipality performing the functions as set out in the constitution (act no.105 of 1996). The municipality operates principally in South Africa and [state other countries].

- The operating net surplus (deficit) of R 93 278 627 (2023: deficit R 256 664 683).
- The municipality’s current liabilities exceed its current assets by R (471 728 914) (2023: R (548 774 129)).
- Debtors days grew to xxx days from (2023: 1465 days).

2. Going concern

Notwithstanding that municipality had an accumulated surplus (deficit) of R 93 278 627 (2023: deficit R 256 664 683) and that the municipality’s total assets exceeded its liabilities by the said R (471 728 914) (2023: R (548 774 129)); the persistency over a sustained period of time of the above mentioned deficit and current liabilities in excess of the current assets, is worrisome. Strategies to address the root causes of the said situation are under way as part of the Financial Recovery Plan in terms of section 139 (1) (b), (4) and (5) of the Constitution with effect from April 2019.

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.

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

3. Subsequent events

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

Refer to note 43 details of subsequent events.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

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

6. Accounting Officers

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

Name	Nationality	Changes
Mr Z Nikani	South African	Appointed 1 December 2023
Mr M Vilakazi	South African	Acting from 21 July 2023 to 30 November 2023
Mr BB Marima	South African	Acting from 30 June 2023 to 10 July 2023

7. Auditors

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

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	32 285 382	30 665 385
Other receivables from exchange transactions	4	22 582 957	34 490 789
Statutory receivables from non-exchange transactions	5	31 369 152	21 566 561
Other receivables from non-exchange transactions	6	1 333 555	1 333 555
Statutory receivables from exchange transactions	7	60 506 321	37 709 393
Receivables from exchange transactions	8	85 582 037	59 721 038
Cash and cash equivalents	9	6 890 620	5 096 739
		240 550 024	**190 583 460**
Non-Current Assets			
Investment property	10	14 758 895	17 054 984
Property, plant and equipment	11	1 122 900 757	1 119 886 475
Intangible assets	12	3 418 614	3 036 658
Heritage assets	13	7 635 063	7 635 063
		1 148 713 329	**1 147 613 180**
Total Assets		**1 389 263 353**	**1 338 196 640**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	650 659 947	680 430 313
Consumer deposits	15	4 374 395	4 094 140
Employee benefit obligation	16	20 851 310	20 073 962
Unspent conditional grants and receipts	18	36 393 286	34 759 174
		712 278 938	**739 357 589**
Non-Current Liabilities			
Non-current payables from exchange transactions	50	170 040 095	-
Employee benefit obligation	16	23 307 001	22 293 000
Provisions	19	24 306 322	23 936 425
		217 653 418	**46 229 425**
Total Liabilities		**929 932 356**	**785 587 014**
Net Assets		**459 330 997**	**552 609 626**
Accumulated surplus		459 330 997	552 609 626
Total Net Assets		**459 330 997**	**552 609 626**

* See Note 49 & 53

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	140 823 454	118 394 697
Availability charges	20	32 843 332	28 585 675
Rental of facilities and equipment	22	132 767	761 208
Interest received (trading)	20	73 237 798	58 337 743
Licences and permits		2 068 140	1 775 651
Commissions received	23	326 592	660 773
Other income	23	1 374 712	263 074
Interest received - investment	24	653 016	1 211 299
Total revenue from exchange transactions		**251 459 811**	**209 990 120**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	39 415 877	40 002 053
Transfer revenue			
Government grants & subsidies	26	220 145 305	177 951 460
Fines, Penalties and Forfeits	27	12 027	100 688
Debt relief	51	78 963 740	-
Interest received (trading)	20	18 542 737	14 705 118
Total revenue from non-exchange transactions		**357 079 686**	**232 759 319**
Total revenue	20	**608 539 497**	**442 749 439**
Expenditure			
Employee related costs	28	(123 047 741)	(116 750 111)
Remuneration of councillors	29	(8 188 288)	(7 812 680)
Depreciation and amortisation	30	(53 461 847)	(58 629 252)
Finance costs	31	(73 489 556)	(26 769 605)
Debt Impairment	32	(128 188 333)	(147 095 398)
Bulk purchases	33	(98 027 899)	(82 782 251)
General Expenses	34	(200 656 397)	(186 756 473)
Total expenditure		**(685 060 061)**	**(626 595 770)**
Operating deficit		**(76 520 564)**	**(183 846 331)**
Loss on disposal of assets and liabilities		(14 498 188)	(40 801 841)
Fair value adjustments	35	429 871	84 968
Actuarial gains/losses	16	1 810 029	1 621 400
Impairment loss		(4 499 775)	(33 722 879)
		(16 758 063)	**(72 818 352)**
Deficit for the year		**(93 278 627)**	**(256 664 683)**

* See Note 49 & 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	666 361 842	666 361 842
Adjustments		
Correction of errors 53	142 912 467	142 912 467
Balance at 01 July 2022 as restated*	**809 274 309**	**809 274 309**
Changes in net assets		
Surplus for the year	(256 664 683)	(256 664 683)
Total changes	(256 664 683)	(256 664 683)
Restated* Balance at 01 July 2023	**552 609 624**	**552 609 624**
Changes in net assets		
Surplus for the year	(93 278 627)	(93 278 627)
Total changes	(93 278 627)	(93 278 627)
Balance at 30 June 2024	**459 330 997**	**459 330 997**

* See Note 49 & 53

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		49 966 184	34 577 356
Grants		221 779 417	168 775 001
Interest income		85 003 504	76 154 350
		356 749 105	279 506 707
Payments			
Employee costs		(125 632 623)	(115 419 119)
Suppliers		(98 436 183)	(109 400 673)
Finance costs		(53 130 500)	(35 553)
		(277 199 306)	(224 855 345)
Net cash flows from operating activities	37	**79 549 799**	**54 651 362**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(75 745 918)	(77 783 653)
Purchase of other intangible assets	12	(2 010 000)	(28 442)
Net cash flows from investing activities		**(77 755 918)**	**(77 812 095)**
Net increase/(decrease) in cash and cash equivalents		**1 793 881**	**(23 160 733)**
Cash and cash equivalents at the beginning of the year		5 096 739	28 257 472
Cash and cash equivalents at the end of the year	9	**6 890 620**	**5 096 739**

The accounting policies on pages 16 to 49 and the notes on pages 50 to 119 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	207 198 000	8 024 000	**215 222 000**	140 823 454	**(74 398 546)**	57,x1
Availability charges	-	-	**-**	32 843 332	**32 843 332**	57,x2
Rental of facilities and equipment	579 000	-	**579 000**	132 767	**(446 233)**	57,x3
Interest received (trading)	56 181 000	-	**56 181 000**	73 237 798	**17 056 798**	57,x4
Licences and permits	-	2 500 000	**2 500 000**	2 068 140	**(431 860)**	57,x5
Commissions received	-	-	**-**	326 592	**326 592**	57,x6
Other income	121 000	2 200 000	**2 321 000**	1 374 712	**(946 288)**	57,x7
Interest received - investment	3 326 000	-	**3 326 000**	653 016	**(2 672 984)**	57,x8
Total revenue from exchange transactions	**267 405 000**	**12 724 000**	**280 129 000**	**251 459 811**	**(28 669 189)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44 976 000	-	**44 976 000**	39 415 877	**(5 560 123)**	57,x9
Transfer revenue						
Government grants & subsidies	214 224 000	-	**214 224 000**	220 145 305	**5 921 305**	57,x10
Fines, Penalties and Forfeits	306 000	2 000 000	**2 306 000**	12 027	**(2 293 973)**	57,x11
Revenue from service concession arrangements	-	-	**-**	78 963 740	**78 963 740**	
Interest received (trading)	7 000 000	-	**7 000 000**	18 542 737	**11 542 737**	57,x12
Total revenue from non-exchange transactions	**266 506 000**	**2 000 000**	**268 506 000**	**357 079 686**	**88 573 686**	
Total revenue	**533 911 000**	**14 724 000**	**548 635 000**	**608 539 497**	**59 904 497**	
Expenditure						
Personnel	(118 556 000)	(12 592 000)	**(131 148 000)**	(123 047 741)	**8 100 259**	57,x13
Remuneration of councillors	(6 559 000)	(2 469 000)	**(9 028 000)**	(8 188 288)	**839 712**	57,x14
Depreciation and amortisation	(70 948 000)	-	**(70 948 000)**	(53 461 847)	**17 486 153**	57,x15
Impairment loss/ Reversal of impairments	-	-	**-**	(4 499 775)	**(4 499 775)**	57,x16
Finance costs	(82 000)	-	**(82 000)**	(73 489 556)	**(73 407 556)**	57,x17
Debt Impairment	(83 848 000)	42 500 000	**(41 348 000)**	(128 188 333)	**(86 840 333)**	57,x18
Bad debts written off	(4 413 000)	-	**(4 413 000)**	-	**4 413 000**	57,x16
Bulk purchases	(85 024 000)	-	**(85 024 000)**	(98 027 899)	**(13 003 899)**	57,x19
General Expenses	(136 503 000)	(30 543 000)	**(167 046 000)**	(200 656 397)	**(33 610 397)**	57,x20
Total expenditure	**(505 933 000)**	**(3 104 000)**	**(509 037 000)**	**(689 559 836)**	**(180 522 836)**	
Operating deficit	**27 978 000**	**11 620 000**	**39 598 000**	**(81 020 339)**	**(120 618 339)**	
Loss on disposal of assets and liabilities	-	-	**-**	(14 498 188)	**(14 498 188)**	57,x21
Fair value adjustments	-	-	**-**	429 871	**429 871**	57,x22
Actuarial gains/losses	-	-	**-**	1 810 029	**1 810 029**	57,x23
	-	**-**	**-**	**(12 258 288)**	**(12 258 288)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**27 978 000**	**11 620 000**	**39 598 000**	**(93 278 627)**	**(132 876 627)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**27 978 000**	**11 620 000**	**39 598 000**	**(93 278 627)**	**(132 876 627)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 826 000	29 500 000	**32 326 000**	32 285 382	**(40 618)**	57,x24
Other receivables from exchange transactions	-	-	**-**	22 582 957	**22 582 957**	57,x25
Statutory receivables from non-exchange transactions	4 897 000	9 000 000	**13 897 000**	31 369 152	**17 472 152**	57,x26
Statutory receivables	1 736 000	-	**1 736 000**	1 333 555	**(402 445)**	57,x27
VAT receivable	67 671 000	-	**67 671 000**	60 506 321	**(7 164 679)**	57,x28
Receivables from exchange transactions	206 385 000	43 524 000	**249 909 000**	85 582 037	**(164 326 963)**	57,x29
Cash and cash equivalents	28 333 000	7 200 000	**35 533 000**	6 890 620	**(28 642 380)**	57,x30
	311 848 000	**89 224 000**	**401 072 000**	**240 550 024**	**(160 521 976)**	
Non-Current Assets						
Investment property	36 986 000	-	**36 986 000**	14 758 895	**(22 227 105)**	57,x31
Property, plant and equipment	1 244 097 000	2 754 000	**1 246 851 000**	1 122 900 757	**(123 950 243)**	57,x32
Intangible assets	3 445 000	-	**3 445 000**	3 418 614	**(26 386)**	57,x33
Heritage assets	7 635 000	-	**7 635 000**	7 635 063	**63**	57,x34
Statutory receivables from non-exchange transactions	2 689 000	-	**2 689 000**	-	**(2 689 000)**	57,x29
	1 294 852 000	**2 754 000**	**1 297 606 000**	**1 148 713 329**	**(148 892 671)**	
Total Assets	**1 606 700 000**	**91 978 000**	**1 698 678 000**	**1 389 263 353**	**(309 414 647)**	
Liabilities						
Current Liabilities						
Finance lease obligation	190 000	-	**190 000**	-	**(190 000)**	57,x35
Payables from exchange transactions	73 170 000	77 860 000	**151 030 000**	650 659 954	**499 629 954**	57,x36
VAT payable	53 257 000	-	**53 257 000**	(102 315 381)	**(155 572 381)**	57,x37
Consumer deposits	3 928 000	-	**3 928 000**	4 374 395	**446 395**	57,x38
Employee benefit obligation	863 000	-	**863 000**	20 851 310	**19 988 310**	57,x39
Unspent conditional grants and receipts	-	-	**-**	36 393 286	**36 393 286**	57,x40
	131 408 000	**77 860 000**	**209 268 000**	**609 963 564**	**400 695 564**	
Non-Current Liabilities						
Non-current payables from exchange transactions	-	-	**-**	170 040 095	**170 040 095**	
Employee benefit obligation	15 481 000	-	**15 481 000**	23 307 001	**7 826 001**	57,x41
Provisions	130 822 000	-	**130 822 000**	24 306 322	**(106 515 678)**	57,x42
	146 303 000	**-**	**146 303 000**	**217 653 418**	**71 350 418**	
Total Liabilities	**277 711 000**	**77 860 000**	**355 571 000**	**827 616 982**	**472 045 982**	
Net Assets	**1 328 989 000**	**14 118 000**	**1 343 107 000**	**561 646 371**	**(781 460 629)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 328 989 000	14 118 000	**1 343 107 000**	459 330 997	**(883 776 003)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	44 976 000	-	44 976 000	-		44 976 000	39 415 877		(5 560 123)	88 %	88 %
Service charges	207 198 000	8 024 000	215 222 000	-		215 222 000	140 823 454		(74 398 546)	65 %	68 %
Investment revenue	3 326 000	-	3 326 000	-		3 326 000	653 016		(2 672 984)	20 %	20 %
Transfers recognised - operational	137 346 000	-	137 346 000	-		137 346 000	142 008 833		4 662 833	103 %	103 %
Other own revenue	64 187 000	6 700 000	70 887 000	-		70 887 000	209 741 745		138 854 745	296 %	327 %
Total revenue (excluding capital transfers and contributions)	**457 033 000**	**14 724 000**	**471 757 000**	**-**		**471 757 000**	**532 642 925**		**60 885 925**	**113 %**	**117 %**
Employee costs	(118 556 000)	(12 592 000)	(131 148 000)	-	-	(131 148 000)	(123 047 741)	-	8 100 259	94 %	104 %
Remuneration of councillors	(6 559 000)	(2 469 000)	(9 028 000)	-	-	(9 028 000)	(8 188 288)	-	839 712	91 %	125 %
Depreciation and asset impairment	(70 948 000)	-	(70 948 000)			(70 948 000)	70 226 711	-	141 174 711	(99)%	(99)%
Finance charges	(82 000)	-	(82 000)	-	-	(82 000)	(73 489 556)	-	(73 407 556)	89 621 %	89 621 %
Inventory consumed and bulk purchases	(159 342 000)	(16 941 000)	(176 283 000)	-	-	(176 283 000)	(98 027 899)	-	78 255 101	56 %	62 %
Other expenditure	(150 446 000)	28 898 000	(121 548 000)	-	-	(121 548 000)	(215 154 585)	-	(93 606 585)	177 %	143 %
Total expenditure	**(505 933 000)**	**(3 104 000)**	**(509 037 000)**	**-**	**-**	**(509 037 000)**	**(447 681 358)**	**-**	**61 355 642**	**88 %**	**88 %**
Surplus/(Deficit)	**(48 900 000)**	**11 620 000**	**(37 280 000)**	**-**		**(37 280 000)**	**84 961 567**		**122 241 567**	**(228)%**	**(174)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	76 878 000	-	76 878 000	-		76 878 000	78 136 472		1 258 472	102 %	102 %
Surplus (Deficit) after capital transfers and contributions	**27 978 000**	**11 620 000**	**39 598 000**	**-**		**39 598 000**	**163 098 039**		**123 500 039**	**412 %**	**583 %**
Surplus/(Deficit) for the year	**27 978 000**	**11 620 000**	**39 598 000**	**-**		**39 598 000**	**163 098 039**		**123 500 039**	**412 %**	**583 %**

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	73 878 680		73 878 680	DIV/0 %	DIV/0 %

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Fair value estimation

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

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

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

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policy 1.6. Property plant and equipment. This estimate is based on industry norm.

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.

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 16.

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.

1.5 Investment property

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

Significant Accounting Policies

1.5 Investment property (continued)

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

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

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

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

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

Fair value

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

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

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

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

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

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

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

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

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

Derecognition

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

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

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

1.6 Property, plant and equipment

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

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.

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

Subsequent measurement:

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

Depreciation and impairment:

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

Land, except for landfill and quary sites, is not depreciated as it has an indefinate useful life.

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

Item	Depreciation method	Average useful life
Community facilities	Straight-line	5 - 100 years
Sport and recreation facilities	Straight-line	5 - 100 years
Electrical Infrastructure	Straight-line	15 - 60 years
Water supply Infrastructure	Straight-line	5 - 90 years
Roads Infrastructure	Straight-line	5 - 100 years
Sanitation Infrastructure	Straight-line	5 - 100 years
Stomwater Infrastructure	Straight-line	20 - 60 years
Solid Waste Infrstructure	Straight-line	9 - 80 years
Housing	Straight-line	5 - 100 years
Operational buildings	Straight-line	5 - 100 years
Computer equipment	Straight-line	4 - 7 years
Furniture and Fittings	Straight-line	4 - 7 years
Lease assets - Office equipment	Straight-line	5 years
Machinery and equipment	Straight-line	4 - 5 years
Office equipment	Straight-line	3 -7 years
Vehicles	Straight-line	4 - 15 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.

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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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).

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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.

Significant Accounting Policies

1.8 Intangible assets (continued)

Intangible assets are initially recognised at cost.

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.

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 manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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	Straight-line	3 - 5 years

Derecognition:

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

The gain or loss arising from the derecognition of 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.

Significant Accounting Policies

1.9 Heritage assets (continued)

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 heritage assets of the municipality shall not be depreciated but, the municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

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 entity and a financial liability or a residual interest of another entity.

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

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

Class	Category
Other financial liabilites	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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

1.11 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.

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

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

1.12 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.

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Significant Accounting Policies

1.13 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.

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 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits).

Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts.

The municipality categorises cash and cash equivalents as financial assets at amortised cost.

1.15 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.

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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:

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting 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:
- the 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 post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from 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.

1.17 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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.

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.

Significant Accounting Policies

1.17 Employee benefits (continued)

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, 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 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.

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 an 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.

Significant Accounting Policies

1.17 Employee benefits (continued)

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 entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

The 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).

Significant Accounting Policies

1.17 Employee benefits (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.

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

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

Significant Accounting Policies

1.17 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-endfor each employee.

1.18 Provisions and contingencies

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

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

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

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

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

Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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.

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.

1.18 Provisions and contingencies (continued)

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.

1.19 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.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

Interest is recognised using the effective interest rate method for financial instruments.

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

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

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

Pre-paid electricity

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

1.21 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.

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Significant Accounting Policies

1.22 Investment income

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

1.23 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.

1.24 Accounting by principals and agents

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

1.25 Current year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparative are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure are 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.

1.28 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.

Significant Accounting Policies

1.29 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 expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Use of estimates

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

1.31 Conditional grants and receipts

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

1.32 Segment information

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

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

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Community and Social Services, Energy Sources, Environmental Protection, Executive and Council, Finance and Administration, Planning and Development, Public Safety, Road Transport, Waste Management, Waste Water Management and Water Management.

The factors used to identify reportable segments include the nature as well and the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources.

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

Significant Accounting Policies

1.32 Segment information (continued)

Segmental information on total assets and liabilities, as well as income and expenditure per identified segment is set out on note 56, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

1.33 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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.

1.34 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.

Significant Accounting Policies

1.34 Related parties (continued)

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.

1.35 Events after reporting date

The accounting officer is not aware of any events after reporting date.

1.36 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.

1.37 Accumulated surplus

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

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

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

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality has adopted the interpretation for the first time in the 2023/2024 01 April 2023.

The impact of the interpretation is set out in note 49 Changes in Accounting Policy.

GRAP 25 (as revised): Employee Benefits

Background

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

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

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

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

Notes to the Annual Financial Statements

2. Going concern (continued)

Key amendments to GRAP 25

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

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

The effective date of these revisions have not yet been set. 01 April 2023.

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

The impact of the revisions is set out in note 49 Changes in Accounting Policy.

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

Background

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

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

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

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

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

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 01 April 2023.

The impact of the revisions is set out in note 49 Changes in Accounting Policy.

GRAP 2020: Improvements to the Standards of GRAP 2020

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

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

Amendments include,

Notes to the Annual Financial Statements

2. Going concern (continued)

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:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

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

GRAP 20 – Related Party Disclosures

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

GRAP 24 – Presentation of Budget Information in Financial Statements

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

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

GRAP 37 – Joint Arrangements

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

2. Going concern (continued)

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

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

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

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

The impact of the improvements is set out in note 49 Changes in Accounting Policy.

Guideline: Guideline on Accounting for Landfill Sites

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

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

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

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

The impact of the standard is set out in note 49 Changes in Accounting Policy.

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

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

2. Going concern (continued)

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

Disclosure of accounting policies

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

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

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

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

The impact of the amendment is set out in note 49 Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 2023 Improvements to the Standards of GRAP 2023

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

GRAP1 - Presentation of Financial Statements

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

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

General Improvements

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

- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

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

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

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

Notes to the Annual Financial Statements

2. Going concern (continued)

General Improvements

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

GRAP5 - Borrowing Costs

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

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

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

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

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

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

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

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

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

General Improvements

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

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

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

Notes to the Annual Financial Statements

2. Going concern (continued)

GRAP27 - Agriculture

General Improvements

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

GRAP31 - Intangible Assets

General Improvements

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

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

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

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

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

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

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

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

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

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

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

Guideline on The Application of Materiality to Financial Statements

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

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

General Improvements

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

Notes to the Annual Financial Statements

2. Going concern (continued)

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

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

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

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

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

Applicability of going concern in the public sector

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

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

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

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

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

Disclosure on going concern

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

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

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

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

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

GRAP 103 (as revised): Heritage Assets

Notes to the Annual Financial Statements

2. Going concern (continued)

Background

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

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

Key amendments to GRAP 103

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

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

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

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

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

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

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

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

GRAP 104 (as revised): Financial Instruments

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

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

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

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

Notes to the Annual Financial Statements

2. Going concern (continued)

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

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

2.3 Standards and interpretations not yet effective or relevant

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

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

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

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

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

Issue

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

Consensus

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

3. Inventories

Water - at cost		2 540 273	3 159 424
Consumable stores		1 031 925	1 518 737
Land held as inventory		28 713 184	25 987 224
		32 285 382	**30 665 385**

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality at year end.

Water for distribution

Opening balance		3 159 424	3 173 199
Purchased during the year		62 628 001	60 769 694
Consumption during the year		(45 329 627)	(39 238 123)
Water losses	47	(17 917 525)	(21 545 346)
Closing balance		**2 540 273**	**3 159 424**

4. Other receivables from exchange transactions

Other receivables		22 582 957	34 490 789

Other receivables from exchange transactions pledged as security

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

Credit quality of other receivables from exchange transactions

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

Other receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 22 582 957 (2023: R 34 490 789) were past due but not impaired.

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

3 months past due		22 582 957	34 490 789

5. Statutory receivables from non-exchange transactions

Gross balances			
Property rates		228 291 283	194 908 946
Traffic fines		18 905	18 905
		228 310 188	**194 927 851**
Less: Allowance for impairment			
Property Rates		(196 941 036)	(173 361 290)
Net balance			
Property rates		31 350 247	21 547 656
Traffic fines		18 905	18 905
		31 369 152	**21 566 561**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Rates		
Current (0 -30 days)	7 527 193	6 264 171
31 - 60 days	3 897 441	3 791 795
61 - 90 days	3 922 788	3 608 551
91 days +	212 943 861	181 244 428
Less: impairment	(196 941 036)	(173 361 289)
	31 350 247	**21 547 656**

Other (specify)		
91 days +	18 905	18 905

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 911 386	3 338 269
31 - 60 days	1 468 234	1 509 752
61 - 90 days	1 531 776	1 420 839
91 days +	87 226 539	78 652 867
	94 137 935	84 921 727
Less: Allowance for impairment	(76 160 261)	(72 014 419)
	17 977 674	**12 907 308**

Industrial/ commercial		
Current (0 -30 days)	3 259 509	2 705 047
31 - 60 days	2 330 330	2 193 205
61 - 90 days	2 292 439	2 099 157
91 days +	115 215 495	94 087 225
	123 097 773	101 084 634
Less: Allowance for impairment	(115 745 119)	(98 012 397)
	7 352 654	**3 072 237**

National and provincial government		
Current (0 -30 days)	356 299	220 856
31 - 60 days	98 878	88 838
61 - 90 days	98 573	88 554
91 days +	10 501 826	8 504 336
	11 055 576	8 902 584
Less: Allowance for impairment	(5 035 656)	(3 334 473)
	6 019 920	**5 568 111**

Total		
Current (0 -30 days)	7 527 193	6 264 171
31 - 60 days	3 897 441	3 791 795
61 - 90 days	3 922 788	3 608 551
91 days +	212 943 861	181 244 428
	228 291 283	194 908 945
Less: Allowance for impairment	(196 941 035)	(173 361 289)
	31 350 248	**21 547 656**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Reconciliation of allowance for impairment

Balance at beginning of the year	(173 361 289)	(143 102 869)
Contributions to allowance	(23 579 746)	(30 258 420)
	(196 941 035)	**(173 361 289)**

Statutory receivables general information

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

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

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

1 month past due	2 602 102	2 851 811
2 months past due	817 710	450 705
3 months past due	30 989 208	18 245 140

Statutory receivables from non-exchange impairedStatutory receivables from non-exchange impaired

As of 30 June 2024, Statutory receivables fron non-exchange transactions of R196 941 035 (2023: R173 361 289) were impaired and provided for.

The ageing of these loans is as follows:

1 month past due	4 925 091	3 412 360
2 months past due	3 079 731	3 341 089
3 months past due	185 877 441	166 607 840

Statutory receivables from non-exchange transactions pledged as security

No statutory receivables from non-exchange transactions that are pledged as security.

Credit quality of statutory receivables from non-exchange transactions

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

6. Other receivables from non-exchange transactions

Deposits paid	1 003 562	1 003 562
Other sundry receivables	329 993	329 993
	1 333 555	**1 333 555**
Current assets	1 333 555	1 333 555

Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability at yearend. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Credit quality of other receivables from non-exchange transactions

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Other receivables from non-exchange transactions (continued)

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

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June, 2024, R 1 333 555 (2023: R 1 333 555) were past due but not impaired.

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

3 months past due	1 333 555	1 333 555

7. Statutory receivables from exchange transactions

VAT	60 506 321	37 709 393

8. Receivables from exchange transactions

Gross balances		
Electricity	100 757 926	88 140 545
Water	432 257 431	379 112 994
Sewerage	267 051 812	229 992 801
Refuse	175 963 919	151 147 569
Sundry	28 032 674	25 200 267
	1 004 063 762	**873 594 176**
Less: Allowance for impairment		
Electricity	(65 564 454)	(70 466 364)
Water	(403 216 320)	(352 596 352)
Sewerage	(259 617 939)	(225 500 877)
Refuse	(171 186 035)	(148 613 612)
Sundry	(18 896 977)	(16 695 933)
	(918 481 725)	**(813 873 138)**
Net balance		
Electricity	35 193 472	17 674 181
Water	29 041 111	26 516 642
Sewerage	7 433 873	4 491 924
Refuse	4 777 884	2 533 957
Sundry	9 135 697	8 504 334
	85 582 037	**59 721 038**
Electricity		
Current (0 -30 days)	12 686 745	6 759 879
31 - 60 days	3 308 250	2 545 756
61 - 90 days	2 718 693	2 522 304
91 days +	82 044 238	76 312 606
Less: impairment	(65 564 454)	(70 466 364)
	35 193 472	**17 674 181**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	10 527 631	8 183 882
31 - 60 days	6 014 602	6 167 100
61 - 90 days	6 414 576	7 084 979
91 days +	409 300 622	357 677 033
Less: impairment	(403 216 320)	(352 596 352)
	29 041 111	**26 516 642**

Sewerage		
Current (0 -30 days)	5 553 076	4 592 561
31 - 60 days	3 444 802	3 113 454
61 - 90 days	3 408 872	3 065 301
91 days +	254 645 062	219 221 485
Less: impairment	(259 617 939)	(225 500 877)
	7 433 873	**4 491 924**

Refuse		
Current (0 -30 days)	3 777 837	3 081 467
31 - 60 days	2 294 913	2 083 795
61 - 90 days	2 278 182	2 049 228
91 days +	167 612 987	143 933 079
Less: impairment	(171 186 035)	(148 613 612)
	4 777 884	**2 533 957**

Other (specify)		
Current (0 -30 days)	1 037 577	784 898
31 - 60 days	240 765	225 068
61 - 90 days	240 728	225 459
91 days +	26 513 605	23 964 842
Less: impairment	(18 896 978)	(16 695 933)
	9 135 697	**8 504 334**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	25 287 756	16 529 215
31 - 60 days	11 777 252	11 462 178
61 - 90 days	12 299 466	12 158 769
91 days +	782 875 897	676 909 242
	832 240 371	717 059 404
Less: Allowance for impairment	(778 857 257)	(686 340 947)
	53 383 114	**30 718 457**
Industrial/ commercial		
Current (0 -30 days)	4 027 407	3 931 634
31 - 60 days	1 436 220	877 817
61 - 90 days	1 158 803	752 935
91 days +	42 016 126	35 053 896
	48 638 556	40 616 282
Less: Allowance for impairment	(38 998 460)	(36 090 038)
	9 640 096	**4 526 244**
National and provincial government		
Current (0 -30 days)	4 267 702	2 941 838
31 - 60 days	2 089 859	1 795 178
61 - 90 days	1 602 781	2 035 567
91 days +	115 224 492	109 145 906
	123 184 834	115 918 489
Less: Allowance for impairment	(100 626 009)	(91 442 153)
	22 558 825	**24 476 336**
Total		
Current (0 -30 days)	33 582 866	23 402 688
31 - 60 days	15 303 332	14 135 173
61 - 90 days	15 061 051	14 947 271
91 days +	940 116 513	821 109 044
	1 004 063 762	873 594 176
Less: Allowance for impairment	(918 481 725)	(813 873 138)
	85 582 037	**59 721 038**
Less: Allowance for impairment		
Current (0 -30 days)	(18 522 295)	(13 296 106)
31 - 60 days	(11 437 088)	(12 506 353)
61 - 90 days	(11 815 710)	(13 407 033)
91 days +	(876 706 632)	(774 663 646)
	(918 481 725)	**(813 873 138)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(813 873 138)	(697 036 159)
Contributions to allowance	(104 608 587)	(116 836 979)
	(918 481 725)	**(813 873 138)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Receivables from exchange transactions (continued)

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

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

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 82 965 323 (2023: R 59 721 038) were past due but not impaired.

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

Current (0 - 30 days):	15 060 571	10 106 582
31 - 60 days:	3 866 243	1 628 820
61 - 90 days:	3 245 341	1 540 238
91 days +	63 409 882	46 445 398

Receivables from exchange trasnactions impaired

As of 30 June 2024, receivables from exchange trasnactions of R 918 481 725 (2023: R (813 873 138) were impaired and provided for.

The ageing of these receivables from exchange trasnactions is as follows:

Current (0 - 30 days):	18 522 295	13 296 106
31 - 60 days:	11 437 088	12 506 353
61 - 90 days:	11 815 710	13 407 033
91 days:	876 706 632	774 663 646

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	4 606 873	5 040 109
Short-term deposits	2 283 747	56 630
	6 890 620	**5 096 739**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents are pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - 1930000309	168 186	345 920	16 213 954	3 998 108	345 920	16 213 954
FNB - 63038580949 (Primary Account)	608 766	4 694 189	-	608 766	4 694 189	-
ABSA Bank - 911851699 (General Call Account)	1 152	56 630	12 043 518	1 152	56 630	12 043 518
FNB Call Account : 63081082538	638	-	-	638	-	-
FNB Call Account : 63097554513	380 575	-	-	380 575	-	-
FNB Call Account : 63081085144	1 248 825	-	-	1 248 825	-	-
FNB Call Account : 63081670284	652 556	-	-	652 556	-	-
Total	**3 060 698**	**5 096 739**	**28 257 472**	**6 890 620**	**5 096 739**	**28 257 472**

ABSA Bank account is the municipality old primary bank account in the process of being closed.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	14 758 895	-	14 758 895	17 054 984	-	17 054 984

Reconciliation of investment property - 2024

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	17 054 984	-	(2 725 960)	429 871	14 758 895

Reconciliation of investment property - 2023

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	17 068 022	(98 006)	-	84 968	17 054 984

Pledged as security

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

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

10. Investment property (continued)

Property valuations were performed by an independent , Zack van der Merwe (registered with South African Council of Property Valuers Profession (SACPVP), is not connected to the municipality and have recent experience in location and category of the investment property being valued. The fair value adjustments of the investment properties being improved, and unimproved land was determined based on the trend of the general market growth rate figure taking into consideration of the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds.

The property market in general has slowed down with a visual impact on property markets and year-on-year sales.

Sales considered was for Phokwane Municipality for the financial year 23/24, these sales were matched to the values of current General Valuation Roll for the transferred properties. The transfers compared to the valuation roll indicated a 3% increase in the market values of those properties considered.

Maintenance of investment property

No repairs and maintence incurred on investment property.

Land owned by the municipality which are not under the control of the municipality

In a number of instances, the municipality are not able to illustrate a substantive right over the land parcels as a result of social housing development, development of educational facilities and incomplete ownership transfers.

Key judgments made and assumptions applied to conclude that the municipality does not controls such land include:

Custodianship taken over by another organ of state for the social housing development.

The municality does not have access to the land, nor is it able to restrict or deny access of other parties to the land.

The municipality has not implimented any action or remedial measures to regain access to the land for a significant period of time.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	31 679 261	(5 559)	31 673 702	31 679 261	(5 559)	31 673 702
Buildings	86 820 919	(62 124 916)	24 696 003	87 368 093	(61 968 215)	25 399 878
Infrastructure	2 424 958 816	(1 564 612 919)	860 345 897	2 385 275 119	(1 532 290 468)	852 984 651
Community	134 698 164	(112 041 088)	22 657 076	143 402 587	(115 980 063)	27 422 524
Other property, plant and equipment	47 710 455	(28 904 298)	18 806 157	44 673 733	(27 518 212)	17 155 521
Work in progress	167 350 797	(2 628 875)	164 721 922	165 250 199	-	165 250 199
Total	**2 893 218 412**	**(1 770 317 655)**	**1 122 900 757**	**2 857 648 992**	**(1 737 762 517)**	**1 119 886 475**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	31 673 702	-	-	-	-	-	-	-	31 673 702
Buildings	25 399 878	354 298	(2 926)	1 379 643	-	(1 872 329)	(562 561)	-	24 696 003
Infrastructure	852 984 651	1 512 940	(12 597 871)	67 233 245	(1 899 869)	(46 336 776)	(2 165 287)	1 614 864	860 345 897
Community	27 422 524	-	(1 830 335)	-	-	(2 177 196)	(757 917)	-	22 657 076
Other property, plant and equipment	17 155 521	3 165 194	(67 056)	-	-	(1 447 502)	-	-	18 806 157
Work in progress	165 250 199	70 713 486	-	(68 612 888)	-	-	(2 628 875)	-	164 721 922
	1 119 886 475	**75 745 918**	**(14 498 188)**	**-**	**(1 899 869)**	**(51 833 803)**	**(6 114 640)**	**1 614 864**	**1 122 900 757**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	31 673 702	-	-	-	-	-	-	31 673 702
Buildings	23 589 205	4 436 003	(167 109)	-	-	(2 090 072)	(368 149)	25 399 878
Infrastructure	977 386 740	1 069 249	(40 347 918)	13 780 973	(16 279 414)	(49 995 736)	(32 629 243)	852 984 651
Community	26 924 860	3 801 358	(17 867)	-	-	(2 583 677)	(702 150)	27 422 524
Other property, plant and equipment	19 623 319	703 808	(194 386)	-	-	(2 977 220)	-	17 155 521
Work in progress	111 257 937	67 773 235	-	(13 780 973)	-	-	-	165 250 199
	1 190 455 763	**77 783 653**	**(40 727 280)**	**-**	**(16 279 414)**	**(57 646 705)**	**(33 699 542)**	**1 119 886 475**

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Property, plant and equipment (continued)

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

	2024	2023
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Pampierstad: Bulk Water Infrastructure Phase 2 The project of the bulk water infrastructure has been reconfigured to the New Name :MIG1630: Pampierstad:Asbestos Water reticulation Phase 5-revised and this project we are currently at the tail end of its implementation	26 112 781	26 112 781
Provision of Water and Sanitation for 608 Stands in Guldenskat - Phase 1 The costs relates to pre-engineering assessments and the project will only commence once funding has been secured	2 834 128	2 834 128
Pampierstad Bulk Water Infrastructure The project of the bulk water infrastructure has been reconfigured to the New Name :MIG1630: Pampierstad:Asbestos Water reticulation Phase 5-revised and this project we are currently at the tail end of its implementation	3 637 095	3 637 095
Masakeng 1200 Sites Sewer Reticulation Network Although the project in essence have been completed, it is not operational as yet and can only be commissioned for use upon completion op the pump station, which is currently in process	56 169 724	56 169 724
Development of Sport Facility Gaspan This project has been placed on hold due to a lack of funding. The project will commence once funding has been secured	2 628 875	2 628 875
	91 382 603	**91 382 603**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	162 621 324	2 628 875	-	165 250 199
Additions/capital expenditure	69 333 843	-	1 379 643	70 713 486
Impairments	-	(2 628 875)	-	(2 628 875)
Transferred to completed items	(67 233 245)	-	(1 379 643)	(68 612 888)
	164 721 922	**-**	**-**	**164 721 922**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	108 629 062	2 628 875	111 257 937
Additions/capital expenditure	67 773 235	-	67 773 235
Transferred to completed items	(13 780 973)	-	(13 780 973)
	162 621 324	**2 628 875**	**165 250 199**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrastructure	69 783 961	2 473 306
Community assets and buildings	323 133	69 964 756
	70 107 094	**72 438 062**

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Land which the entity controls without legal ownership

In some instances the municipality is not the legal owner or the custodian of land but assessed that it controls such land.

Included under Property, plant and equipment are 12 land parcels which are not registered in the name of the municipality. This includes 8 land parcels which are not registered.

Key judgments made and assumptions applied to conclude that it controls such land include:

The municipality exercises control over the municipal facilities and infrastructure situated on these land parcels.

The municipality determines the utilisation of the land.

The municipality controls the access to the land parcels.

Carrying value of land included in the carrying value of Property, plant and equipment	-	1 763 958

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2024			2023		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	8 291 312	(4 872 698)	3 418 614	6 336 753	(3 300 095)	3 036 658

Reconciliation of intangible assets - 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	3 036 658	2 010 000	(1 628 044)	3 418 614

Reconciliation of intangible assets - 2023

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	3 996 855	28 442	(6 092)	(982 547)	3 036 658

Pledged as security

No intangible assets have been pledged as security for any financial liability at year-end.

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2024			2023		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	17 728	-	17 728	17 728	-	17 728
Historical buildings, monuments and conservation areas	7 617 335	-	7 617 335	7 617 335	-	7 617 335
Total	**7 635 063**	**-**	**7 635 063**	**7 635 063**	**-**	**7 635 063**

Reconciliation of heritage assets 2024

	Opening balance	**Total**
Art Collections, antiquities and exhibits	17 728	17 728
Historical buildings, monuments and conservation areas	7 617 335	7 617 335
	7 635 063	**7 635 063**

Reconciliation of heritage assets 2023

	Opening balance	**Total**
Art Collections, antiquities and exhibits	17 728	17 728
Historical buildings, monuments and conservation areas	7 617 335	7 617 335
	7 635 063	**7 635 063**

Pledged as security

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

Figures in Rand	2024	2023

13. Heritage assets (continued)

Deemed costs

Deemed cost was determined using depreciated replacement cost.

14. Payables from exchange transactions

Trade payables	496 177 019	607 790 085
Payments received in advanced	40 079 996	40 424 634
Retentions	16 540 871	10 589 057
Unallocated deposits	19 508 982	21 567 978
Payroll control account	4 878 587	58 559
Current portion transferred from non-current payables from exchange	73 474 492	-
	650 659 947	**680 430 313**

15. Consumer deposits

Electricity	1 315 955	1 077 900
Water	2 471 498	2 429 298
Housing rental	586 942	586 942
	4 374 395	**4 094 140**

16. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(18 434 000)	(17 450 000)
Present value of the defined benefit obligation-partly or wholly funded	(6 813 000)	(6 619 000)
Staff leave accrual	(16 130 404)	(15 146 270)
Staff bonus accrual	(2 780 906)	(3 151 692)
	(44 158 310)	**(42 366 962)**

Non-current liabilities	(23 307 000)	(22 293 000)
Current liabilities	(20 851 310)	(20 073 962)
	(44 158 310)	**(42 366 962)**

Post retirement benefits

Opening balance	(25 833 157)	(3 540 157)
Net expense recognised in the statement of financial performance	(23 307 000)	(22 293 000)
	(49 140 157)	**(25 833 157)**

Benefits

Post-retirement medical aid benefit	(17 612 000)	(16 785 000)
Long service awards	(5 695 000)	(5 508 000)
	(23 307 000)	**(22 293 000)**

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(17 450 000)	(13 791 000)
Contribution for the year	(719 000)	(3 737 000)
Interest cost	(2 141 000)	(1 598 000)
Benefits paid during the year	709 696	602 576
Actuarial gains/(losses)	1 166 304	1 073 424
.	(18 434 000)	(17 450 000)
Less: Transfer to current portion	822 000	665 000
	(17 612 000)	**(16 785 000)**

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

Members		
Current (In service) members	110	114
Continuation members (pensioners)	12	12
	122	**126**

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

Liability		
Current (In service) members	11 679 000	11 233 000
Continuation members (pensioners)	6 755 000	6 217 000
	18 434 000	**17 450 000**

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

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Samwumed

Key actuarial assumptions used:

Discount rate	12,26%	12,50%
CPI (Consumer Price Inflation)	6,24%	6,61%
Medical aid contribution inflation rate	7,74%	8,11%

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 12.26% per annum has been used. The corresponding index-linked yield at this term is 5.20%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2024.

16. Employee benefit obligations (continued)

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 two main components of the DBO, and their respective durations, are shown in table below.

Component	Duration (Years)
In-service members' retirement liability	20,83
Continuation members' liability	7,94
Liability-weighted average	**16,00**

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 7.74% 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 6.24% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.20% per annum which derives from ((1+12.26%)/(1+7.74%))-1.

The CPI inflation assumption of 6.24% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.20%) and those of fixed interest bonds (12.26%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was thus determined as follows: ((1+12.26%-0.50%)/(1+5.20%))-1.

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

Replacement Ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions

Mortality During Employment:

SA85-90 ultimate table, adjusted for female lives.

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.

Termination of Service:

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

Withdrawal rates:

Age Band	Withdrawal rate males
20 - 24	9%
25 - 29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 0% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible in-service members on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

16. Employee benefit obligations (continued)

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Eligible employees	Continuation members	Total liability
Central assumptions			11 679 000	6 755 000	18 434 000
Medical aid contribution inflation rate	+1%	15%	13 835 000	7 284 000	21 119 000
Medical aid contribution inflation rate	-1%	-12%	9 943 000	6 285 000	16 228 000
Discount rate	+1%	-11%	10 019 000	6 307 000	16 326 000
Discount rate	-1%	14%	13 760 000	7 266 000	21 026 000
Post-employment mortality	+1 yr	-3%	11 390 000	6 511 000	17 901 000
Post-employment mortality	-1 yr	3%	11 963 000	7 001 000	18 964 000
Average retirement age	-1 yr	7%	12 885 000	6 755 000	19 640 000
Membership continuation	-10%	-8%	10 122 000	6 755 000	16 877 000

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

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			719 000	2 141 000	2 860 000
Medical aid contribution inflation rate	+1%	17%	887 000	2 461 000	3 348 000
Medical aid contribution inflation rate	-1%	-14%	588 000	1 878 000	2 466 000
Discount rate	+1%	-8%	598 000	2 041 000	2 639 000
Discount rate	-1%	9%	873 000	2 255 000	3 128 000
Post-employment mortality	+1 yr	-3%	701 000	2 077 000	2 778 000
Post-employment mortality	-1 yr	3%	737 000	2 204 000	2 941 000
Average retirement age	-1 yr	8%	814 000	2 274 000	3 088 000
Membership continuation	-10%	-10%	624 000	1 954 000	2 578 000

Long service award

Long service award	2024	2023
Balance 1 July	(6 619 000)	(6 285 000)
Current service cost	(654 000)	(649 000)
Interest cost	(677 000)	(637 000)
Benefits paid during the year	493 275	397 931
Actuarial gains/(losses)	643 725	554 069
Subtotal	(6 813 000)	(6 619 000)
Less: Transfer to current portion	1 118 000	1 111 000
Balance 30 June	**(5 695 000)**	**(5 508 000)**

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

Total eligible	2024	2023
As at year end, the following number of employees were eligible for long service bonuses	330	341

Key actuarial assumptions used:

	2024	2023
Discount rate	10,89%	11,15%
General earnings inflation rate	6,00%	6,50%
Net Effective Discount Rate	4,62%	4,36%

16. Employee benefit obligations (continued)

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.

Key Demographic assumations

Table below summarises the key demographic assumptions used

Mortality during employment: SA 85-90

Age Band	Withdrawal rate males	Withdrawal rate females
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

Sensetivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability 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:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Liability
Central assumptions			6 813 000
General earnings inflation rate	+1%	5%	7 171 000
General earnings inflation rate	-1%	-5%	6 484 000
Discount rate	+1%	-5%	6 479 000
Discount rate	-1%	5%	7 182 000
Average retirement age	+2% yrs	7%	7 286 000
Average retirement age	-2% yrs	-10%	6 099 000
Withdrawal rates age	x2	-17%	5 640 000
Withdrawal rates age	x0,5	11%	7 581 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

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

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			654 000	677 000	1 331 000
General earnings inflation rate	+1%	6%	698 000	716 000	1 414 000
General earnings inflation rate	-1%-6%		614 000	642 000	1 256 000
Discount rate	+1%	-1%	619 000	699 000	1 318 000
Discount rate	-1%	1%	693 000	653 000	1 346 000
Average retirement age	+2% yrs	8%	704 000	733 000	1 437 000
Average retirement age	-2% yrs	-10%	600 000	602 000	1 202 000
Withdrawal rates	x2	-21%	501 000	549 000	1 050 000
Withdrawal rates	x0,5	14%	760 000	762 000	1 522 000

17. Finance lease obligation

	2024	2023
Minimum lease payments due		
- in second to fifth year inclusive	-	103 949

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

The average lease term was x-y years and the average effective borrowing rate was -% (2023: -%).

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

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

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Municipal Systems Improvement Grant (MSIG)	169 582	169 582
COGHSTA Grant	42 778	42 778
Financial Management Grant (FMG)	3 000	-
Water Service Operating Grant (WSOG)	9 342 633	8 404 450
Intergrated National Electrification Grant (INEP)	3 919 220	870 194
Northern Cape Roads Grant (NCRG)	1 463 126	1 463 126
Library Grant	2 067 864	2 984 450
Northern Cape Public Works Grant (NCPWG)	312 375	312 375
Municipal Infrastructure Grant (MIG)	19 062 178	20 501 689
Expanded Public Works Program (EPWP)	10 530	10 530
	36 393 286	**34 759 174**

Movement during the year

	2024	2023
Balance at the beginning of the year	34 759 174	43 935 633
Additions during the year	225 079 417	189 386 000
Income recognition during the year	(220 145 305)	(177 951 459)
Surrendered	(3 300 000)	(20 611 000)
	36 393 286	**34 759 174**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Unspent conditional grants and receipts (continued)

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

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

19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	23 936 425	2 269 766	(1 899 869)	24 306 322

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	37 976 680	2 239 159	(16 279 414)	23 936 425

Environmental rehabilitation provision

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

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

- Decrease in the inflation rate 5.1% in 2024 and 5.4% in 2023.
- Increase in the net effective discount rate to 5.20% in 2024 (4.92% - 2023).
- Change in the provision for the cost of the environmental impact assessment and permit application costs at 30 June 2024.

Municipal site	Year	2024 Cost of rehabilitation	2023 Cost of rehabilitation	2022 Cost of rehabilitation
Ganspan Landfills Site	2035	5 386 313	5 331 855	8 202 548
Pampierstad Landfills Site	2032	6 508 774	6 401 297	9 170 779
Jan Kempdorp Landfills Site	2047	3 375 560	3 298 761	7 284 759
Hartswater new Landfill Site	2035	4 707 765	4 678 095	7 516 846
Hartswater old landfill site	2024	4 327 913	4 226 420	5 801 751
		24 306 325	**23 936 428**	**37 976 683**

Area of landfill site consumed

	2024 %	2023 %	2022|%
Ganspan Landfills Site	69	69	69
Pampierstad Landfills Site	22	22	22
Jan Kempdorp Landfills Site	24	24	24
Hartswater new Landfill Site	45	45	45
Hartswater old landfill site	96	96	96

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Provisions (continued)

Discount rate

Discount rate used 2024: 10,30% 2023: 10,32%.

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

As such a net discount rate of 5.20% p.a (2023: 4.92%) has been used. The net discount rate was derived from the yield curve, without a tax adjustment, obtained from the Bond Exchange of South Africa after the markert closed on 30 June 2024 (2023) reduced by the contract price adjustment index (CPAF) as obtained from the South African Forum of Civil Engineering Contractors (SAFCEC).

20. Revenue

	2024	2023
Service charges	140 823 454	118 394 697
Availability charges - Water and Electricity	32 843 332	28 585 675
Rental of facilities and equipment	132 767	761 208
Interest received (trading)	73 237 798	58 337 743
Licences and permits	2 068 140	1 775 651
Commissions received	326 592	660 773
Other income	1 374 712	263 074
Interest received - investment	653 016	1 211 299
Property rates	39 415 877	40 002 053
Government grants & subsidies	220 145 305	177 951 460
Fines, Penalties and Forfeits	12 027	100 688
Interest received (trading)	18 542 737	14 705 118
	529 575 757	**442 749 439**

	2024	2023
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	140 823 454	118 394 697
Availability charges - Water and Electricity	32 843 332	28 585 675
Rental of facilities and equipment	132 767	761 208
Interest received - Receivable from exchange transactions	73 237 798	58 337 743
Licences and permits	2 068 140	1 775 651
Commissions received	326 592	660 773
Other income	1 374 712	263 074
Interest received - investment	653 016	1 211 299
	251 459 811	**209 990 120**

	2024	2023
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	39 415 877	40 002 053
Transfer revenue		
Government grants & subsidies	220 145 305	177 951 460
Fines, Penalties and Forfeits	12 027	100 688
Interest received - Receivables from non-exchange transactions	18 542 737	14 705 118
	278 115 946	**232 759 319**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Service charges

Sale of electricity	68 035 759	57 830 982
Sale of water	37 620 650	27 470 232
Sewerage and sanitation charges	20 857 509	19 618 414
Refuse removal	14 309 536	13 475 069
	140 823 454	**118 394 697**

22. Rental of facilities and equipment

Premises		
Premises	132 767	761 208

23. Other revenue

Commissions received	326 592	660 773
Other income	1 374 712	263 074
	1 701 304	**923 847**

24. Investment revenue

Interest revenue		
Bank	653 016	373 172
Deposits	-	838 127
	653 016	**1 211 299**

25. Property rates

Rates received

Residential	12 965 660	14 535 166
Commercial	11 227 003	10 643 964
State	318 814	385 246
Small holdings and farms	14 904 400	14 437 677
	39 415 877	**40 002 053**

Valuations

Residential	1 566 630 200	1 566 630 200
Commercial	976 485 400	976 485 400
State	848 852 300	848 852 300
Small holdings and farms	6 460 508 100	6 460 508 100
	9 852 476 000	**9 852 476 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Government grants & subsidies

Operating grants		
Equitable share	134 246 000	126 099 000
Finance Management Grant	3 097 000	3 100 000
Library grant	2 166 586	614 676
Frances Baard District Municipality Operational Grant	2 499 247	-
	142 008 833	**129 813 676**
Capital grants		
Municipal Infrastructure Grant (MIG)	36 876 991	27 043 168
Intergrated National Electrification Grant	12 234 577	14 129 806
Water Systems Operating Grant	21 730 735	6 964 810
Frances Baard District Municipality Capital Grant	7 294 169	-
	78 136 472	**48 137 784**
	220 145 305	**177 951 460**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	85 899 305	51 852 460
Unconditional grants received	134 246 000	126 099 000
	220 145 305	**177 951 460**

Equitable Share

Current-year receipts	130 946 000	105 488 000
Conditions met - transferred to revenue	(134 246 000)	(126 099 000)
Surrendered	3 300 000	20 611 000
	-	**-**

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	169 582	169 582

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

COGHSTA Grant

Balance unspent at beginning of year	42 778	42 778

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

Finance Management Grant

Balance unspent at beginning of year	-	2 850 351
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 097 000)	(3 100 000)
Surrendered	-	(2 850 351)
	3 000	**-**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Government grants & subsidies (continued)

Water System Operating Grant

	2024	2023
Balance unspent at beginning of year	8 404 450	8 433 822
Current-year receipts	24 534 000	14 449 000
Conditions met - transferred to revenue	(21 730 735)	(6 964 810)
Surrendered	(1 865 082)	(7 513 562)
	9 342 633	**8 404 450**

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

Intergrated National Electrification Programme Grant

	2024	2023
Balance unspent at beginning of year	870 194	1 389 825
Current-year receipts	15 500 000	15 000 000
Conditions met - transferred to revenue	(12 234 577)	(14 129 806)
Surrendered	(216 397)	(1 389 825)
	3 919 220	**870 194**

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

Northern Cape Roads Grant

	2024	2023
Balance unspent at beginning of year	1 463 126	1 463 126

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

Library Grant

	2024	2023
Balance unspent at beginning of year	2 984 450	2 399 126
Current-year receipts	1 250 000	1 200 000
Conditions met - transferred to revenue	(2 166 586)	(614 676)
	2 067 864	**2 984 450**

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

NC Public Works Grant

	2024	2023
Balance unspent at beginning of year	312 375	312 375

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

Municipal Infrastructure Grant

	2024	2023
Balance unspent at beginning of year	20 501 689	23 020 420
Current-year receipts	36 656 000	29 538 000
Conditions met - transferred to revenue	(36 876 991)	(27 043 168)
Surrendered	(1 218 520)	(5 013 563)
	19 062 178	**20 501 689**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Government grants & subsidies (continued)

Frances Baard District Municipality Operational and Capital Grant

Current-year receipts - operating grant	2 499 247	-
Current-year receipts - capital grant	7 294 169	-
Conditions met - transferred to revenue - operating grant	(2 499 247)	-
Conditions met - transferred to revenue - capital grant	(7 294 169)	-
	-	-

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

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

Expanded Public Works Programme Grant

Balance unspent at beginning of year	10 530	10 530

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

Disaster management grant

Balance unspent at beginning of year	-	3 843 698
Surrendered	-	(3 843 698)
	-	-

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

27. Fines, Penalties and Forfeits

Traffic fines	12 027	100 688

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Employee related costs

Basic	82 583 069	73 502 205
Bonus	5 645 934	6 304 675
Medical aid - company contributions	4 804 826	7 498 201
UIF	744 450	693 169
SDL	921 116	816 500
Other payroll levies	48 251	45 230
Leave pay provision charge	2 442 946	5 528 772
Travel, motor car, accommodation, subsistence and other allowances	2 131 567	2 354 136
Overtime payments	8 699 570	6 619 253
Long-service awards	654 000	649 000
Acting allowances	1 207 667	656 267
Housing benefits and allowances	168 493	147 718
Termination benefits	12 995 852	11 934 985
	123 047 741	**116 750 111**

Remuneration of the Acting Municipal Manager - Me BP Mgaguli: (October 2021 - May 2023):

Acting allowance	-	85 720
Car Allowance	-	377 867
Contributions to UIF, Medical and Pension Funds	-	4 919
Other	-	15 000
	-	**483 506**

Remuneration of the Municipal Manager - Mr Z Nikani: (May 2023 - June 2023 and December 2023 - June 2024):

Annual Remuneration	604 683	123 862
Car Allowance	-	37 131
Remote allowance	25 144	7 606
Contributions to UIF, Medical and Pension Funds	7 618	26 388
	637 445	**194 987**

Remuneration of the Acting Chief Financial Officer - Me TP Modisa: (February 2021 - February 2023 and June 2023 - November 2023):

Acting allowance	33 135	55 818
Annual Remuneration	693 016	642 091
Car allowance	53 210	95 779
Contributions to UIF, Medical and Pension Funds	207 268	185 501
Other	6 000	6 000
	992 629	**985 189**

Remuneration of the Acting Chief Financial Officer - Me KP Modise: (March 2023 - May 2023):

Annual Remuneration	-	16 360
Car Allowance	-	581 378
Performance Bonuses	-	31 926
Contributions to UIF, Medical and Pension Funds	-	157 615
Other	-	6 000
	-	**793 279**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Employee related costs (continued)

Remuneration of the Acting Chief Financial Officer - Ms ON Sauli: (December 2024 - June 2024):

Annual Remuneration	526 731	-
Remote allowance	20 645	-
Contributions to UIF, Medical and Pension Funds	6 725	-
	554 101	**-**

Remuneration of the Director of Acting Corporate Services - Mr BB Marima: (September 2023 - May 2024:

Acting allowance	21 346	93 250
Annual Remuneration	519 089	852 000
Car allowance	94 971	150 494
Remote allowance	17 695	6 018
Contributions to UIF, Medical and Pension Funds	137 583	185 205
Other	1 500	5 136
	792 184	**1 292 103**

Remuneration of the Director of Technical Services - Mr B Dluwayo: (December 2023 - June 2024):

Annual Remuneration	438 991	-
Car Allowance	24 072	-
Remote allowance	20 645	-
Contributions to UIF, Medical and Pension Funds	33 974	-
	517 682	**-**

Remuneration of the Acting Director Community Services - Ms N Charlie: (March 2024 - June 2024):

Acting allowance	22 452	-

Remuneration of the Acting Directfor Corporate Services - Ms Taaibos: (June 2024):

Acting allowance	5 613	-

29. Remuneration of councillors

Councillors	8 188 288	7 812 680

Remuneration of the Mayor: W Harmse (1 September 2023 to 30 June 2204)

Mayoral Allowance	649 985	-
Telephone Allowance	39 170	-
Contributions to pension, medical and SDL	116 997	-
	806 152	**-**

Remuneration of the Speaker: GG Halter (1 September 2023 to 30 June 2024)

Mayoral Allowance	580 104	-
Telephone Allowance	39 170	-
Contributions to pension, medical and SDL	33 482	-
	652 756	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Remuneration of councillors (continued)

Remuneration of the Mayor: TB Afrika (1 July 2023 to 31 August 2023)

Mayoral Allowance	186 662	909 788
Transport Allowance	-	34 945
Telephone Allowance	17 638	37 200
Contributions to pension, medical and SDL	-	17 468
	204 300	**999 401**

Remuneration of the Speaker: W Harmse (1 July 2023 to 31 August 2023)

Mayoral Allowance	117 238	125 698
Telephone Allowance	16 103	16 913
Contributions to pension, medical and SDL	18 034	19 954
	151 375	**162 565**

Remuneration of the Councillors:

Councillor Allowance	4 900 396	5 472 753
Transport Allowance	60 000	65 655
Telephone Allowance	950 884	668 857
Contributions to pension, medical and SDL	462 423	443 448
	6 373 703	**6 650 713**

The Mayor and Speaker are full time. Each is provided with an office and shared secreterial support at the cost of the Council.

The mayor has use of a Council owned vehicle for official duties.

30. Depreciation and amortisation

Property, plant and equipment	51 833 803	57 646 705
Intangible assets	1 628 044	982 547
	53 461 847	**58 629 252**

31. Finance costs

Employee benefit obligation	2 818 000	2 235 000
Landfill provision	2 269 766	12 513 829
Trade and other payables	68 401 790	12 020 776
	73 489 556	**26 769 605**

32. Debt impairment

Debt impairment	128 188 333	147 095 398

33. Bulk purchases

Electricity - Eskom	98 027 899	82 782 251

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. General expenses

Advertising	1 584 942	510 109
Auditors remuneration	5 924 136	7 795 109
Bank charges	996 541	316 180
Commission paid	-	223 229
Consulting and professional fees	24 542 751	20 899 228
Entertainment	127 500	417 700
Hire	1 498 431	1 154 443
Insurance	2 379 268	20 309
Motor vehicle expenses	609 433	348 428
Printing and stationery	118 040	62 417
Protective clothing	321 812	807 700
Inventory consumed - water bulk purchases	62 628 001	60 783 469
Inventory consumed	70 107 095	72 438 062
Security (Guarding of municipal property)	25 306 627	18 108 169
Subscriptions and membership fees	1 153 234	1 109 972
Telephone and fax	828 834	302 267
Transport and freight	16 400	-
Training	437 808	172 578
Travel - local	1 423 161	1 113 291
Sample analysis	652 383	173 813
	200 656 397	**186 756 473**

35. Fair value adjustments

Investment property (Fair value model)	429 871	84 968

36. Auditors' remuneration

Fees	5 924 136	7 795 109

37. Cash generated from operations

Deficit	(93 278 627)	(256 664 683)
Adjustments for:		
Depreciation and amortisation	53 461 847	58 629 252
Gain on sale of assets and liabilities	14 498 188	40 801 841
Fair value adjustments	(429 871)	(84 968)
Impairment deficit	4 499 775	33 722 879
Debt impairment	128 188 333	147 095 398
Movements in retirement benefit assets and liabilities	1 791 349	9 617 213
Movements in provisions	2 269 766	2 239 159
Changes in working capital:		
Inventories	1 105 963	991 517
Other receivables from exchange transactions	11 907 832	7 064 232
Consumer debtors	(154 049 332)	(145 645 482)
Other receivables from non-exchange transactions	(9 802 591)	(4 334 482)
Payables from exchange transactions	140 269 728	181 546 486
VAT	(22 796 928)	(11 357 446)
Unspent conditional grants and receipts	1 634 112	(9 176 459)
Consumer deposits	280 255	206 905
	79 549 799	**54 651 362**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	22 582 957	22 582 957
Receivables from exchange transactions	85 582 037	85 582 037
Cash and cash equivalents	6 890 620	6 890 620
	115 055 614	**115 055 614**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	650 659 947	650 659 947
Consumer deposits	4 374 395	4 374 395
	655 034 342	**655 034 342**

2023

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	34 490 789	34 490 789
Receivables from exchange transactions	59 721 038	59 721 038
Cash and cash equivalents	5 096 739	5 096 739
	99 308 566	**99 308 566**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	680 430 313	680 430 313
Consumer deposits	4 094 140	4 094 140
	684 524 453	**684 524 453**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	63 977 425	15 420 624
Total capital commitments		
Already contracted for but not provided for	63 977 425	15 420 624

Total commitments

Total commitments		
Authorised capital expenditure	63 977 425	15 420 624

The commitments are exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Contingencies

Contingent liabilities

The following litigations have been raised against the municipality:

CCG (Pty) Ltd vs Phokwane Local Muncipality The Municipality terminated the contract on the basis of affordability of the Mscoa System	-	8 000 000
CC Victor vs Phokwane Local Municipality Merits already settled at 70/30 in favour of Plaintiff. Likelihood of settling quantum AT 30/70 to plaintiff.	1 400 000	1 400 000
Dephetogo Security Services vs Phokwane Local Municipality Contract terminated without lawful reason	9 000 000	3 600 000
UMS vs Phokwane Local Municipality Breah of contract	4 200 000	150 000
IMATU obo Z Nikani & Another vs Phokwane Local Municipality Unfair Dismissal (Unlawful termination of contract)	-	9 000 000
JJ Steenkamp vs Phokwane Local Municipality Municipal non-compliance with environmental legislation, Health and Safety. Sewer spilling into business premises. Business closed as a result. Demanding Imprisonment of Accounting Officer	-	758 418
Monnaemeng Trading vs Phokwane Local Municipality Alleged breach of contract	-	220 000
VJB Trading & Projects vs Phokwane Local Municipality Alleged breach of contract	-	184 198
Phage & Moadi vs Phokwane Local Municipality Alleged breach of contract	-	208 502
Matseba Chartered Accountant vs Phokwane Local Municipality Breach of contract	1 977 280	-
	-	-
	-	-
Bokao Projects (Pty) Ltd Payment of services rendered	389 550	-
I Monnaemang Trading Entreprise vs Phokwane Local Municipality Overcharging of services	92 172	-
Phage & Moadi Trading & Projects vs Phokwane Local Municipality Overcharging of services	89 184	-
Senwes vs Phokwane Local Municipality Overcharging of services	669 708	-
Tecroveer Holdings vs Phokwane Local Municipality Payment of services rendered	6 091	-
Novolo Entreprise vs Phokwane Local Municipality Breach of contract	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
40. Contingencies (continued)		
AP Mokgalagadi vs Phokwane Local Municipality	-	-
Unfair dismissal		
Seabi & anothers vs Phokwane Local Municipality	-	-
Unfair dismissal		
E Moya vs Phokwane Local Municipality	-	-
Unfair dismissal		
Total	**17 823 985**	**23 521 118**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Related parties

Relationships

Interest in related parties	Councillors and /or management of the municipality
Services rendered to related parties	The services rendered to related parties are charged at the approved tarrifs that were advertised to the public. We have disclosed this information under the heading councillors arrear consumer accounts. Refer to 47
Compensation of related parties	Compensation of key management personnel Refer to note 28
Compensation of related parties	Compensation of councillors Refer to note 29
Joint ventures	Municipality has no joint venture arrangement
Associates	Municipality has no associates in their business arrangement
Related party relationship	The municipalities officials declared the following reationship with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality
Councillors	No business interest, shares and / or directorships held
Municipal manager	No business interest, shares and / or directorships held
Acting Municipal Manager	No business interest, shares and / or directorships held
Chief Financial Officer	No business interest, shares and / or directorships held

41. Related parties (continued)

Remuneration of management

Management class: Executive management

2024

Name	Acting allowance	Basic salary	Car allowance	Remote allowance	Contribution to UIF, Medical and pension funds	Other allowance	Total
Senior Management	82 546	2 782 510	172 253	84 129	393 168	7 500	3 522 106

2023

Name	Acting allowance	Basic salary	Car allowance	Remote Allowance	Contribution to UIF, Medical and pension funds	Other allowance	Total
Senior Management	251 148	2 199 331	693 198	18 543	554 708	32 136	3 749 064

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Risk management

Liquidity risk

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

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

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

2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	4 374 395	-	-	-
Employee benefit oblgation	20 851 310	-	-	-
Payables from exchange transactions	650 659 947	-	-	-
Unspent conditional grants and receipts	36 393 286	-	-	-
	712 278 938	**-**	**-**	**-**

2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	4 094 140	-	-	-
Employee benefit oblgation	20 073 962	-	-	-
Payables from exchange transactions	680 430 313	-	-	-
Unspent conditional grants and receipts	34 759 174	-	-	-
	739 357 589	**-**	**-**	**-**

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.

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.

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Risk management (continued)

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

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.

43. Events after the reporting date

Non-adjusting events after reproting date:

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

- NERSA’s mechanism for approval of municipal electricity tariffs as set out in its *Notice to Municipal Licensed Electricity Distributors* dated 29 January 2024 is declared unlawful, invalid and of no force and effect.
- No municipality shall be entitled to levy increased electricity tariffs upon end-user consumers until has granted an approval of an application in accordance with NERSA’s *Notice to Municipal Licensed Electricity Distributors* dated 17 November 2023.
- Any municipality for whom NERSA has not granted approval of an application for increased tariffs supported by a cost of supply study in accordance with the *Notice to Municipal Licensed Electricity Distributors* dated 17 November 2023 shall be entitled to continue levying electricity tariffs on the same tariff as that applicable during the 2023/2024 municipal financial year.
- Municipalities shall be permitted to supplement their applications for increased electricity tariff to NERSA with cost of supply studies for NERSA’s consideration and were granted 60 days from the date of the order to supplement their electricity tariff applications with cost of supply studies in accordance with the NERSA’s *Notice to Municipal Licensed Electricity Distributors* dated 17 November 2023.

The municipality has since the High Court judgement drafted an Electricity Cost of Supply Study and submitted this study to NERSA on the 22nd of October 2024 to supplement their electricity tariff application. The municipality implemented a 15.10% tariff increase of the 2023/2024 tariffs in the 2024/2025 financial year. The potential revenue impact of this increase is R10 205 363.

44. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	1 613 333 395	1 264 829 982
Add: Unauthorised expenditure operational - current	340 714 737	335 678 534
Add: Unauthorised expenditure capital - current	1 401 493	12 824 879
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount authorised - current	-	-
Less: Condoned	(1 087 110 703)	-
Closing balance	**868 338 922**	**1 613 333 395**

Unauthorised exoenditure incurred for the period 2016 - 2023 was investigated by the Municipal Public Accounts Committee of Phokwane Local Municipality duirng the current financial year. At A Council meeting on the 29th of August 2024 Council condoned this expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Unauthorised expenditure (continued)

Unauthorised expenditure: Operational budget overspending – per municipal department:

Executive and Council	73 815 272	69 157 509
Finance and Administration	42 447 038	-
Community and Social Services	32 961 141	32 045 741
Energy Sources	-	2 924 065
Water management	191 491 286	231 551 219
	340 714 737	**335 678 534**

Unauthorised expenditure: Capital budget overspending – per municipal department:

Finance and Administration	1 047 194	-
Water management	-	5 387 517
Community and Social Services	354 299	7 437 362
	1 401 493	**12 824 879**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Fruitless and wasteful expenditure

Opening balance as previously reported	67 425 682	45 130 235
Add: Fruitless and wasteful expenditure identified - current	20 983 064	22 295 447
Add: Fruitless and wasteful expenditure identified - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	(52 655 546)	-
Closing balance	**35 753 200**	**67 425 682**

Fruitless and wasteful expenditure incurred for the period 2016 - 2023 was investigated by the Municipal Public Accounts Committee of Phokwane Local Municipality duirng the current financial year. At A Council meeting on the 29th of August 2024 Council condoned this expenditure.

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on late payments	Management is initiating an investigation into the cause for fruitless and wasteful expenditure as disclosed and as required in the MFMA	20 983 064	22 295 447

46. Irregular expenditure

Opening balance as previously reported	483 948 292	342 530 781
Add: Irregular expenditure - current	18 862 739	141 417 511
Add: Irregular expenditure - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**502 811 031**	**483 948 292**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Procurement in contravention of municipal Supply chain management regulation in terms MFMA	Management is initiating an investigation to cause for irregular expenditure in line with MFMA requirements.	18 862 739	141 417 511

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 104 972	1 016 341
Current year subscription / fee	1 334 469	1 104 972
Amount paid - previous years	(1 104 972)	(1 016 341)
	1 334 469	**1 104 972**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	43 244 242	41 419 808
KWh sold	(17 254 606)	(17 774 792)
KWh losses	**25 989 636**	**23 645 016**
% losses	60	57
Average cost per KWh unit	1.24	1.19
Loss in Rand value	**32 403 500**	**28 252 340**
Water distribution losses (Mega litres)		
Mega litres purchased	4 869 125	5 398 269
Mega litres sold	(1 604 381)	(1 311 727)
Mega litres losses	**3 264 744**	**4 086 542**
% losses	67	76
Average cost per unit	5,57	5,26
Loss in Rand value	**17 917 525**	**21 500 898**

Audit fees

Opening balance	772 851	-
Current year subscription / fee	6 979 259	9 005 918
Amount paid - current year	(652 085)	(8 233 067)
Amount paid - previous years	(772 851)	-
	6 327 174	**772 851**

PAYE and UIF

Current year subscription / fee	15 851 010	13 960 528
Amount paid - current year	(15 851 010)	(13 960 528)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 687 951	25 117 903
Amount paid - current year	(27 687 951)	(25 117 903)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

VAT

	2024	2023
VAT receivable	60 506 321	37 709 393

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TB Afrika	1 408	16 744	18 152
Councillor W Harmse	5 337	138 510	143 847
Councillor E Davies	12 446	-	12 446
Councillor MT van Wyk	5 019	160 779	165 798
Councillor RP Selogilwe	4 897	169 365	174 262
Councillor MA van Wyk	4 750	62 462	67 212
Councillor NS Pitso	4 465	108 814	113 279
Councillor MM Setlhogomi	1 656	48 425	50 081
Councillor GG Halter	1 518	18 024	19 542
Councillor OS Tomudi	1 056	6 283	7 339
Councillor N Peters	2 039	65 520	67 559
Councillor SM Khosa	1 561	30 100	31 661
Councillor TK Mocumi	2 224	65 320	67 544
Councillor SM Mokgobo	3 656	135 253	138 909
Councillor MP Mohale	6 128	107 539	113 667
Councillor E Meyer	154	2 690	2 844
	58 314	**1 135 828**	**1 194 142**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TB Afrika	1 408	16 744	18 152
Councillor W Harmse	5 337	138 510	143 847
Councillor E Davies	12 446	-	12 446
Councillor MT van Wyk	4 750	62 462	67 212
Councillor RP Selogilwe	4 897	169 365	174 262
Councillor MA van Wyk	5 019	160 779	165 798
Councillor NS Pitso	4 465	108 814	113 279
Councillor MM Setlhogomi	1 656	48 425	50 081
Councillor GG Halter	1 518	18 024	19 542
Councillor OS Tomudi	1 056	6 283	7 339
Councillor N Peters	2 039	65 520	67 559
Councillor SM Khosa	1 561	30 100	31 661
Councillor TK Mocumi	2 224	65 320	67 544
Councillor SM Mokgobo	3 656	135 253	138 909
Councillor MP Mohale	6 128	107 539	113 667
Councillor E Meyer	154	2 690	2 844
	58 314	**1 135 828**	**1 194 142**

48. Deviation from supply chain management regulations

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

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

2024	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Emergency	218 561	1 655 100	21 362 247	23 235 908
Soler provider	-	99 271	676 764	776 035
Other	40 924	416 153	1 131 461	1 588 538
	259 485	**2 170 524**	**23 170 472**	**25 600 481**

2023	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Emergency	-	883 586	29 490 212	30 373 798
Other	-	941 229	6 563 005	7 504 234
	-	**1 824 815**	**36 053 217**	**37 878 032**

49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality's current liabilities exceeds its current assets by R (471 728 914) (2023: R (548 774 129)), Furthermore, the municipality recorded a deficit of R 93 278 627 (2023: deficit R 256 664 683).

We further 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. Management decided to include them to provide more information to the users.

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
- There were rollover applications that were rejected by National Treasury. The main reasons for the rejection were the municipality's failure to (a) submit the AFS by the legislated date, (b) spend conditional grant and (c) appoint senior managers. As such, some of the unspent grants were taken back to the fiscus. Submission of the AFS has since been rectified and processes to appoint senior managers has been completed. There has also been an improvement regarding capital grant spending by the municipality.
- The municipality experienced cash flow problems during the year, which resulted in major creditors e.g. Eskom not being paid timeously.
- Electricity distribution losses (technical and non-technical) have increased to 60% (2023: 57%) and the water distribution losses has decreased to 67% from (2022: 76%).

It should, however, be noted that the ability of the municipality to continue as a going concern is dependent on several 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 (credit control and cost containment measures), minimising distribution losses and Council approved initiatives.
- Further initiatives include the installation of prepaid water meters for areas under the Eskom distribution and unmetered areas.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Going concern (continued)

- The municipality is part of the National Treasury's Debt Relief Program.
- 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.
- The municipality appointed a new Municipal Manager, Chief Financial Officer, Director Corporate Services and Director Technical Services.

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.

50. Non-current payables from exchange transactions

	2024	2023
Municipal Debt Relief from Eskom	243 514 587	-
Less: transferred to current payables from exchange transactions	(73 474 492)	-
	170 040 095	**-**

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

51. Debt relief

	2024	2023
Municipal Debt Relief from Eskom	78 963 740	-

52. Change in estimate

Property, plant and equipment

Phokwane Local Municipality performed a condition assessment on all categories of Property, plant and equipment at year-end which is one of the indicators used to determine the Remaining Useful life of an asset .The useful lives of all asset classes were adjusted during 2023/2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 11. The effect of changing the remaining useful life of assets for the Municipality during 2023/2024 has increased the depreciation charge for the current by R 4 410 030 and future periods. The effect of these changes on future periods will amount to R 4 410 030.

Statement of financial postion	
Decrease in property, plant and equipment	(4 409 977)
Statement of financial performance	
Increase in depreciation and amortization	4 409 977

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Prior period errors

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

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

53.1. Prior period error - Misstatement of landfill rehabilitation cost provision

During the period under review it was noted that the landfill rehabilitation provision was misstated due to unsupported assumptions surroundung the estimated upgrading, rehabilitation and post closure monitoring costs at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in provisions	109 727 700
Increase in accumulated surplus	(91 850 184)
Decrease in property, plant and equipment	(11 410 826)
	6 466 690

Statement of financial performance	
Decrease in finance costs	(10 274 670)
Increase in Loss on disposal of assets and liabilities	3 807 980
	(6 466 690)

53.2. Prior period error - Correction of consumer deposits misstated:

During the period under review it was noted that accounts mapped in the general ledger as consumer deposits were not supported by teh consumer deposits sub-ledger listing at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Cash Flow Statement

Statement of financial position	
Decrease consumer deposits	687 142
Decrease in other receivables from non-exchange transactions (other sundry receivables)	(329 993)
Increase in accumulated surplus	(357 149)
	-

53.3. Prior period error - Land Inventory misstated due to incorrect classification in Fixed asset register:

During the period under review it was noted that land held as inventory was incorrectly treated in prior years by derecognising these land parcels due to loss of municipal control at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increased in inventories	25 987 224
Increase in accumulated surplus	(25 987 224)
	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Prior period errors (continued)

53.4.Prior period error - Infrastructure asset register misstated due to ommissions / incorrect inclusions of certain assets:

During the period under review it was noted that the infrastructure asset register was misstated due to the ommission and incorrect inclusion of certain municipal and non-municipal assets at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in infrastructure assets	39 137 746
Decrease in Capital work in progress	(19 451 974)
Increase in accumulated surplus	(26 023 556)
	(6 337 784)

Statement of financial performance	
Increase in depreciation and amortisation	6 314 446
Decrease in impairment loss	(108)
Increase in loss on disposal of assets	23 446
	6 337 784

53.5. Prior period error - Community asset register misstated due to ommissions / incorrect inclusions of certain assets:

During the period under review it was noted that the community asset register was misstated due to the ommission and incorrect inclusion of certain municipal and non-municipal assets at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in community assets	203 113
Increase in accumulated surplus	(272 965)
	(69 852)

Statement of financial performance	
Increase in depreciation and amortisation	69 852

53.6. Prior period error - Investment property register misstated due incorrect recognition of land which is not in the name of the muniicipality:

During the period under review it was noted that the investment property register for the year ended 30 June 2022 was misstated due to the ommission of land in the name of the municipality at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in investment property	2 343 915
Increase in accumulated surplus	(2 332 137)
	11 778

Statement of financial performance	
Increase in fair value adjustments	(11 778)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Prior period errors (continued)

53.7. Prior period error - Buildings register misstated due ommissions of certain assets:

During the period under review it was noted that the building asset register was misstated due to the ommission and incorrect inclusion of certain municipal and non-municipal assets at 30 June 2022. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in buildings	589 778
Increase in accumulated surplus	(821 571)
	(231 793)

Statement of financial performance	
Increase in depreciation and amortisation	231 793

53.8. Prior period error - Movable register misstated due ommissions of certain assets:

During the period under review it was noted that the movables asset register was misstated due to the ommission certain municipal assets which were note verified duirng the year end asset count at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in other property, plant and equipment	88 654

Statement of financial performance	
Increase in depreciation and amortisation	35 638
Decrease in (Loss) gain on disposal of assets and liabilities	(124 292)
	(88 654)

53.9. Prior period error - Misstatement of payables from exchange transactions

During the period under review it was noted that payables from exchange transactions were misstated due to invoices not being recored in the 2022 year. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in payables from exchange transactions	(13 950 276)
Decrease in accumulated surplus	13 950 276
	-

53.10. Prior period error - Understatement of receivables from exchange and statututory receivables from non-exchange transactions:

During the period under review it was noted that interest was not correctly billed on various receivables from exchange and statututory receivables from non-exchange transactions at 30 June 2022 and 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in receivables from exchange transactions	6 801 256
Increase in statutory receivables from non-exchange transactions	2 416 699
Increase in accumulated surplus	(9 217 955)
	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Prior period errors (continued)

53.11. Prior period error - Misstatements of depreciation charge on infrastructure assets:

During the period under review it was noted that teh carry value of certain infrastructure assets were misstated due to the incorrect calculation of depreciation on these assets at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in infrastructure assets	532 022
Statement of financial performance	
Increase in depreciation and amortisation	(532 022)

53.12. Prior period error - Misstatement in the Unauthorised expenditure disclosure:

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

Unauthorised expenditure disclosure	
Increase in overspending on operational budget	2 115 327
Increase in overspending on capital budget	12 824 879
	14 940 206

54. Comparative figures

Certain comparative figures have been reclassified.

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

The effects of the reclassification are as follows:

Statement of financial position - extract	Comparative figures previously reported	Reclassification	After reclassification
Other receivables from exchange transactions	35 237 401	586 941	35 824 342
Consumer deposits	(3 507 199)	(586 941)	(4 094 140)
	31 730 202	**-**	**31 730 202**

Statement of financial performance - extract	Comparative figures previously reported	Reclassification	Total
Impairment loss	(33 699 434)	(23 445)	(33 722 879)
(Loss) gain on disposal of assets and liabilities	(40 825 285)	23 445	(40 801 840)
Employee related costs	(117 329 431)	579 320	(116 750 111)
General expenses - Consulting and professional fees	(186 177 153)	(579 320)	(186 756 473)
	(378 031 303)	**-**	**(378 031 303)**

Notes to the Annual Financial Statements

55. Compensation received for agency activities

Agent in arrangement

Phokwane Local Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Commission	374 105	375 946

Reconciliaiton of Agency Funds and Disbursements - 2024

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of transport	4 151 873	(3 777 768)	374 105

The reason for the above variance is due to 12% commission witheld by the municipality.

Reconciliaiton of Agency Funds and Disbursements - 2022

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of transport	4 211 329	(3 835 383)	375 946

The reason for the above variance is due to 12% commission witheld by the municipality.

56. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates throughout the Hartswater, Jan Kempdorp and Pampierstad area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Finance and Administration	Providing support functions to the municipality
Community and Social Services	Providing other services to the community
Public Safety	Ensuring public safety and providing services such as traffic law enforcement.
Planning and Development	Town planning and administration
Road Transport	Economic development and protections services
Environmental Protection	Enviromental protecion services
Energy Sources	Providing basic services to the community such as water, electricity, sewerage and refuse.
Waste Management	Providing basic services to the community such as water, electricity, sewerage and refuse.
Waste Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse.
Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse.

Information about geographical areas:

The municipality's operations are in the Hartswater, Jan Kempdorp and Pampierstad area.

The municipality does not regularly review nor report on the results of the different areas within Hartswater, Jan Kemp Dorp or Pampiersatd, therefore there are no reportable segments relating to geography.

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Revenue										
Revenue from exchange transactions	-	4 330 223	-	-	2 068 140	68 779	-	103 169 392	141 823 275	251 459 809
Revenue from non-exchange transactions	-	140 019 354	136 422 295	-	2 318	-	36 876 991	22 027 993	21 730 735	357 079 686
Total segment revenue	**-**	**144 349 577**	**136 422 295**	**-**	**2 070 458**	**68 779**	**36 876 991**	**125 197 385**	**163 554 010**	**608 539 495**
Entity's revenue										**608 539 495**
Expenditure										
Remuneration of Council	8 188 288	-	-	-	-	-	-	-	-	8 188 288
Employee related costs	82 549 934	7 839 446	506 122	-	-	-	14 156 121	9 907 237	8 088 880	123 047 740
Bulk purchases	-	-	-	-	-	-	-	98 027 899	-	98 027 899
Debt impairment	-	-	-	-	-	-	-	-	128 188 333	128 188 333
Depreciation and amortisation	1 628 044	3 319 831	-	-	-	-	2 177 196	-	46 336 775	53 461 846
General expenses	14 440 877	22 457 360	95 208 628	543 513	-	-	3 793 070	-	64 212 950	200 656 398
Finance costs	-	73 489 556	-	-	-	-	-	-	-	73 489 556
Actuarial gains/losses	-	(1 810 029)	-	-	-	-	-	-	-	(1 810 029)
Impairment loss	-	2 628 875	-	-	-	-	-	-	1 870 900	4 499 775
Loss on disposal of assets	-	-	1 897 390	-	-	-	-	-	12 600 797	14 498 187
Fair value adjustments	(429 871)	-	-	-	-	-	-	-	-	(429 871)
Total segment expenditure	**106 377 272**	**107 925 039**	**97 612 140**	**543 513**	**-**	**-**	**20 126 387**	**107 935 136**	**261 298 635**	**701 818 122**
Total segmental surplus/(deficit)	**(106 377 272)**	**36 424 538**	**38 810 155**	**(543 513)**	**2 070 458**	**68 779**	**16 750 604**	**17 262 249**	**(97 744 625)**	**(93 278 627)**

56. Segment information (continued)

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Assets										
Segment assets	22 393 958	224 845 154	147 704 312	-	-	-	223 030 473	64 073 272	707 216 184	1 389 263 353
Total assets as per Statement of financial Position										**1 389 263 353**
Liabilities										
Segment liabilities	984 134	582 825 380	2 067 864	116 684	-	-	-	317 683 056	26 255 238	929 932 356
Total liabilities as per Statement of financial Position										**929 932 356**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

2023

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Revenue										
Revenue from exchange transactions	-	2 662 422	741 280	-	1 775 651	34 765	-	87 211 046	117 564 956	209 990 120
Revenue from non-exchange transactions	-	57 807 170	126 779 864	-	34 500	-	27 043 168	14 129 807	6 964 810	232 759 319
Total segment revenue	**-**	**60 469 592**	**127 521 144**	**-**	**1 810 151**	**34 765**	**27 043 168**	**101 340 853**	**124 529 766**	**442 749 439**
Entity's revenue										**442 749 439**

56. Segment information (continued)

Expenditure										
Remuneration of Council	7 812 680	-	-	-	-	-	-	-	-	7 812 680
Employee related costs	72 243 107	10 196 779	3 014 950	-	-	-	12 948 371	7 189 800	11 157 104	116 750 111
Bulk purchases	-	-	-	-	-	-	-	82 782 251	-	82 782 251
Debt impairment	-	-	-	-	-	-	-	-	147 095 398	147 095 398
Depreciation and amortisation	982 547	3 209 013	-	-	-	-	4 441 956	44 213 312	5 782 424	58 629 252
General expenses	8 900 143	24 614 180	88 137 077	215 098	-	-	828 010	223 229	63 838 738	186 756 475
Finance costs	-	26 769 605	-	-	-	-	-	-	-	26 769 605
Actuarial gains/losses	-	(1 621 400)	-	-	-	-	-	-	-	(1 621 400)
Impairment loss	-	-	-	-	-	-	-	-	33 722 880	33 722 880
Loss on disposal of assets	-	318 677	(26 286)	-	-	-	-	40 324 472	184 975	40 801 838
Fair value adjustments	(84 968)	-	-	-	-	-	-	-	-	(84 968)
Total segment expenditure	**89 853 509**	**63 486 854**	**91 125 741**	**215 098**	**-**	**-**	**18 218 337**	**174 733 064**	**261 781 519**	**699 414 122**
Total segmental surplus/(deficit)	**(89 853 509)**	**(3 017 262)**	**36 395 403**	**(215 098)**	**1 810 151**	**34 765**	**8 824 831**	**(73 392 211)**	**(137 251 753)**	**(256 664 683)**
Assets										
Segment assets	24 690 047	142 101 873	153 415 832	-	-	-	207 234 212	90 545 009	720 209 667	1 338 196 640
Total assets as per Statement of financial Position										**1 338 196 640**
Liabilities										
Segment liabilities	-	756 686 256	-	-	-	-	-	1 948 094	26 952 664	785 587 014
Total liabilities as per Statement of financial Position										**785 587 014**

Notes to the Annual Financial Statements

56. Segment information (continued)

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Figures in Rand	2024	2023

57. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

x1: Management anticipated that proper controls are implemented to ensure billing is correct and done on a monthly basis.

x2: Budgeted as part of service charges.

x3: Rental of facilities is difficult to predict as it is based on the frequency of unpredictable events.

x4: Due to constant increase in receivable balances.

x5: Difficult to predict as it is based on the frequency of unpredictable events..

x6: Commission not budgted for.

x7: Other income is difficult to predict as it is based on the frequency of unpredictable events.

x8: Management had planned to put more funds in investment accounts.

X9: Management anticipated that proper controls are implemented to ensure billing is correct and done on a monthly basis.

x10: Grant budget did not take into account the funds withheld.

x11: Fines and penalties are difficult to predict as it is based on the frequency of unpredictable events.

x12: Due to constant increase in receivable balances.

x13: The variance is due to the vacant post that were budgetd for but not filled.

x14: Due to annual increases not taken into account on budgeted.

x15: Management ancipacipated most projects to be capitalized.

x16: Not budgeted for.

x17: Interest on outstanding payables not correctly budgeted.

x18: Management anticipated increase in collections.

x19: Managment budgeted based payments and actual based on invoices.

x20: Management anticipated to implement cost cutting measures.

x21: Year end adjustment, not budgeted for.

x22: Year end adjustment, not budgeted for.

x23: Year end adjustment, not budgeted for.

x24: Variance insignificant.

x25: Management anticipated to have cleared the account.

x26: Impairment not correctly accounted for on budgeted amount.

x27: Management anticipated increase in deposits held.

Notes to the Annual Financial Statements

57. Budget differences (continued)

x28: VAT receivable due to outstanding creditors.

x29: Budget amounted did not take into account impairment.

x30: Management anticipated to have more funds in investments accounts

x31: Not correctly budget for.

x32: Management anticipated capitalization of projects.

x33: Variance insignificant.

x34: Variance insignificant.

x35: Lease contract ended.

x36: Management anticipated settlement of certain outstanding balances.

x37: VAT payable not correctly budget for.

x38: Variance insignificant.

x39: Budgeted inculded as part of non-current.

x40: Management aniticipated full spending on all grants.

x41: Overbudgeted for, actuals based on expert report only received after year end.

x42: Due to prior period error corrections.