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

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of1998)
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, whichincludes planning and promotion of integrated development planning,land, economic and environmental development and supplying of thefollowing services to the community: Waste management services (thecollection, disposal and purifying of waste, refuse and sewerage),water services (supplying water to the public), and rates and generalservices (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rentalof units owned by the municipality to private entities).
Mayor	Cllr Manyike MG
Speaker	Cllr Mapela F
MPAC Chair	Cllr Kodisang MD
Single Whip	Cllr Mleta NK
Exco Members	Cllr Macheke J
	Cllr Maluleka VK
	Cllr Moetji MM
	Cllr Molefe MG
	Cllr Mphapudi MV
	Cllr Ndlovu SL
	Cllr Pete RC
	Cllr Shai CM
	Cllr Tsoku FM

General Information

Councillors	Cllr Baloyi JK (Deceased) Cllr Baloyi MG Cllr Chauke S Cllr Kutumela RME Cllr Kutumela SA Cllr Langa ND Cllr Lekalakala RC Cllr Letebele PM Cllr Letlape PK Cllr Letlhabi PS Cllr Mabena PM Cllr Mamabolo OM (Deceased) Cllr Mamadi GKT Cllr Mashaba FV Cllr Mashele SL Cllr Mathimbi JD Cllr Mbekwa DBS Cllr Moatshe MC Cllr Modisa SJ Cllr Modise LF Cllr Molefe KJ Cllr Monaheng MA Cllr Mosane ML Cllr Moselane EL Cllr Mosetlhe TJ (Appointed 1 February 2024) Cllr Motaung JM Cllr Motlhasedi DK Cllr Motshegoa ST Cllr Nkutshweu DD Cllr Nkwana S Cllr Segona ED Cllr Sekhaolela TL (Appointed 1 February 2024) Cllr Selepane EKM Cllr Sethole DS Cllr Sithole BL Cllr Sithole TM Cllr Skosana TN Cllr Sono D Cllr Tlhabane AL Cllr Zimba AI
Audit and risk committee members	Simelane SP Mr (Previous Chairperson) (Resigned 30 April 2024) Mabuza JM Ms (Current Chairperson) (Appointed 1 May 2024) Mathabathe MG Mr Malapela L Mr Makhathini SJ Ms (Appointed 1 May 2024) Ndou F Mr (Appointed 1 May 2024)
Grading of local authority	GRADE 3
Demarcation code	NW 371

General Information

Chief Finance Officer (CFO)	Sathekge B Ms
Accounting Officer	Ngwenya S Mr
Registered office	4065B Mathibestad 04014
Business address	4065B Mathibestad 0404
Postal address	Private Bag X367 Makapanstad 0404
Bankers	ABSA (Primary Bank Account) First National Bank Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Panel of attorneys for cost containment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act No. 108 of 1996)Division of Revenue Act (Act No. 4 of 2022)Municipal Finance Management Act (Act No. 56 of 2003) Municipal PropertyRates Act (Act No. 6 of 2004) Municipal Structures Act (Act No. 117 of 1998)Municipal Systems Act (Act No. 32 of 2000)

Index

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

Abbreviations used:

ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts
WSIG	Water Supply Infrastructure Grant
AGSA	Auditor General of South Africa
MM	Municipal Manager
CFO	Chief Financial Officer

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

S Ngwenya
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2024.

Audit committee members and attendance

In terms of section 166 (4) (b) of Municipal Finance Management Act, 56 of 2003, the Audit Committee, consisting of independent external members listed below is required meet as often as is required to perform its function, but at least four times a year.

The audit committee held four (04) ordinary meetings and ten (10) special meetings for the financial year 2023/24 as listed below:

Audit Committee members from 01 July 2023 to 30 April 2024

Name of Member	Position in the Committee	Number of ordinary meetings attended	Number of special meetings attended
Mr SP Simelane	Chairperson	4	8
Mr MG Mathabathe	Member	4	7
Mr L Malapela	Member	4	8
Ms J M Mabuza	Member	4	8

Audit Committee from 01 May 2024 to 30 June 2024

Name of Member	Position in the Committee	Number of ordinary meetings attended	Number of special meetings attended
Ms J M Mabuza	Chairperson	-	2
Mr MG Mathabathe	Member	-	2
Mr L Malapela	Member	-	2
Ms SJ Makhathini	Member	-	1
Mr F Ndou	Member	-	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the entity during the year under review.

Audit Committee Report

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Accounting Officer;
- reviewed changes in accounting policies and practices ;
- reviewed the municipalities' compliance with legal and regulatory provisions;

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

____

Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	10	132 027	222 792
Operating lease asset	8	65 529	49 913
Receivables from exchange transactions	11&13	37 439 755	34 541 602
Receivables from non-exchange transactions	12&13	44 816 427	43 426 116
Prepayments		550 000	478 261
Cash and cash equivalents	14	285 828 111	271 718 311
		368 831 849	**350 436 995**
Non-Current Assets			
Investment property	3	10 895 550	20 568 056
Property, plant and equipment	4	1 534 548 877	1 541 319 855
Intangible assets	5	25 131	80 209
Heritage assets	6	206 303	206 303
		1 545 675 861	**1 562 174 423**
Total Assets		**1 914 507 710**	**1 912 611 418**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	153 900 195	175 229 889
Unallocated Deposits	17	594 814	502 126
VAT payable	18	28 860 221	12 951 997
Employee benefit obligation	9	872 280	240 000
Unspent conditional grants and receipts	15	9 129 169	864 974
		193 356 679	**189 788 986**
Non-Current Liabilities			
Employee benefit obligation	9	7 897 959	7 356 000
Total Liabilities		**201 254 638**	**197 144 986**
Net Assets		**1 713 253 072**	**1 715 466 432**
Accumulated surplus		1 713 253 072	1 715 466 432
Total Net Assets		**1 713 253 072**	**1 715 466 432**

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	67 752 967	63 840 019
Rendering of services		6 404	7 933
Rental of facilities and equipment	21	178 351	172 730
Licence and permits	22	747 638	650 291
Sale of goods	23	490 611	705 454
Fair value adjustments		-	16 278 807
Operating income	23	106 223	86 641
Interest received	25	44 985 635	33 100 609
Actuarial gains	9	35 605	213 000
Total revenue from exchange transactions		**114 303 434**	**115 055 484**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	29 970 318	29 779 147
Interest - Property rates	26	3 375 278	3 463 739
Transfer revenue			
Government grants & subsidies	28	600 305 758	618 540 127
Total revenue from non-exchange transactions		**633 651 354**	**651 783 013**
Total revenue	19	**747 954 788**	**766 838 497**
Expenditure			
Employee related costs	29	(157 518 552)	(144 368 384)
Remuneration of councillors	30	(23 256 345)	(21 555 866)
Depreciation and amortisation	31	(62 030 025)	(61 280 064)
Impairment loss	32	(153 664 515)	(106 613 296)
Finance costs	33	(493 088)	(1 216 706)
Bad debts written off		(9 668 750)	(4 477 719)
Bulk purchases	34	(49 060 126)	(59 347 514)
Contracted services	35	(176 334 022)	(156 798 119)
Loss on disposal of assets and liabilities		(15 701 421)	(14 317 604)
Fair value adjustments		(9 672 506)	(12 689 544)
Public toilets distributed	7	(13 073 520)	(34 005 791)
Inventory Consumed		(1 914 651)	(1 303 609)
General Expenses	36	(77 746 803)	(71 008 688)
Total expenditure		**(750 134 324)**	**(688 982 904)**
(Deficit) surplus for the year		**(2 179 536)**	**77 855 593**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 368 832 929	1 368 832 929
Adjustments		
Prior year adjustments 41	268 777 910	268 777 910
Balance at 01 July 2022 as restated*	**1 637 610 839**	**1 637 610 839**
Changes in net assets		
Surplus for the year	77 855 593	77 855 593
Total changes	77 855 593	77 855 593
Opening balance as previously reported	1 434 539 320	1 434 539 320
Adjustments		
Prior year adjustments 41	280 893 288	280 893 288
Restated* Balance at 01 July 2023 as restated*	**1 715 432 608**	**1 715 432 608**
Changes in net assets		
Surplus for the year	(2 179 536)	(2 179 536)
Total changes	(2 179 536)	(2 179 536)
Balance at 30 June 2024	**1 713 253 072**	**1 713 253 072**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 251 401	1 304 321
Income from property rates		16 200 842	13 612 981
Grants		608 569 952	605 328 530
Interest income		31 028 160	20 971 820
Other receipts		1 277 691	2 850 193
		659 328 046	644 067 845
Payments			
Employee costs		(178 939 155)	(165 718 932)
Suppliers		(320 172 255)	(293 871 253)
Finance costs		(493 088)	(1 216 706)
		(499 604 498)	(460 806 891)
Net cash flows from operating activities	37	**159 723 548**	**183 260 954**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(145 613 748)	(168 049 490)
Net increase/(decrease) in cash and cash equivalents		**14 109 800**	**15 211 464**
Cash and cash equivalents at the beginning of the year		271 718 311	256 506 847
Cash and cash equivalents at the end of the year	14	**285 828 111**	**271 718 311**

The accounting policies on pages 18 to 47 and the notes on pages 48 to 102 form an integral part of the annual financial statements.

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	58 744 576	6 053 170	**64 797 746**	67 752 967	**2 955 221**	50
Rental of facilities and equipment	174 450	-	**174 450**	178 351	**3 901**	50
Licence and permits	1 096 140	-	**1 096 140**	747 638	**(348 502)**	
Other income - (rollup)	1 230 233	200	**1 230 433**	603 238	**(627 195)**	50
Interest received - investment	12 689 051	15 323 949	**28 013 000**	31 616 777	**3 603 777**	50
Interest Received -Receivables	13 671 925	1 481 061	**15 152 986**	13 368 858	**(1 784 128)**	50
Total revenue from exchange transactions	**87 606 375**	**22 858 380**	**110 464 755**	**114 267 829**	**3 803 074**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20 099 890	986 621	**21 086 511**	29 970 318	**8 883 807**	50
Interest - Taxation revenue	-	3 147 610	**3 147 610**	3 375 278	**227 668**	50
Transfer revenue						
Government grants & subsidies	617 836 412	(9 173 000)	**608 663 412**	600 305 758	**(8 357 654)**	50
Fines, Penalties and Forfeits	1 660 685	-	**1 660 685**	-	**(1 660 685)**	50
Total revenue from non-exchange transactions	**639 596 987**	**(5 038 769)**	**634 558 218**	**633 651 354**	**(906 864)**	
Total revenue	**727 203 362**	**17 819 611**	**745 022 973**	**747 919 183**	**2 896 210**	
Expenditure						
Personnel	(172 917 999)	-	**(172 917 999)**	(157 518 552)	**15 399 447**	50
Remuneration of councillors	(23 283 997)	(1 000 000)	**(24 283 997)**	(23 256 345)	**1 027 652**	50
Depreciation and amortisation	(50 000 000)	(57 494 575)	**(107 494 575)**	(62 030 025)	**45 464 550**	50
Inventory Consumed	(4 700 278)	(891 891)	**(5 592 169)**	(1 914 651)	**3 677 518**	50
Finance costs	-	-	**-**	(493 088)	**(493 088)**	50
Debt Impairment	(51 238 869)	(18 012 338)	**(69 251 207)**	(153 664 515)	**(84 413 308)**	50
Bad debts written off	-	-	**-**	(9 668 750)	**(9 668 750)**	
Bulk purchases	(48 000 000)	-	**(48 000 000)**	(49 060 126)	**(1 060 126)**	50
Contracted Services	(148 527 509)	(25 919 397)	**(174 446 906)**	(176 334 022)	**(1 887 116)**	50
General Expenses	(63 480 516)	(8 917 561)	**(72 398 077)**	(77 746 803)	**(5 348 726)**	50
Total expenditure	**(562 149 168)**	**(112 235 762)**	**(674 384 930)**	**(711 686 877)**	**(37 301 947)**	
Operating surplus	**165 054 194**	**(94 416 151)**	**70 638 043**	**36 232 306**	**(34 405 737)**	
Loss on disposal of assets and liabilities	-	-	**-**	(15 701 421)	**(15 701 421)**	
Fair value adjustments	-	-	**-**	(9 672 506)	**(9 672 506)**	
Actuarial gains/losses	-	-	**-**	35 605	**35 605**	
Inventories losses/write-downs	-	-	**-**	(13 073 520)	**(13 073 520)**	
	-	**-**	**-**	**(38 411 842)**	**(38 411 842)**	
Deficit before taxation	**165 054 194**	**(94 416 151)**	**70 638 043**	**(2 179 536)**	**(72 817 579)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**165 054 194**	**(94 416 151)**	**70 638 043**	**(2 179 536)**	**(72 817 579)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 905 220	(4 682 428)	**222 792**	132 027	**(90 765)**	50
Operating lease asset	83 469	(79 293)	**4 176**	65 529	**61 353**	50
Receivables from exchange transactions	77 804 531	(43 518 249)	**34 286 282**	37 439 755	**3 153 473**	50
Receivables from non-exchange transactions	3 774 188	3 283 508	**7 057 696**	44 816 427	**37 758 731**	50
VAT receivable	27 444 503	(18 912 241)	**8 532 262**	-	**(8 532 262)**	50
Prepayments	-	-	**-**	550 000	**550 000**	
Cash and cash equivalents	250 927 956	20 413 677	**271 341 633**	285 828 111	**14 486 478**	50
	364 939 867	**(43 495 026)**	**321 444 841**	**368 831 849**	**47 387 008**	
Non-Current Assets						
Investment property	5 717 000	13 022 570	**18 739 570**	10 895 550	**(7 844 020)**	50
Property, plant and equipment	1 459 045 722	(112 226 861)	**1 346 818 861**	1 534 548 877	**187 730 016**	50
Intangible assets	6 895 281	(1 070 256)	**5 825 025**	25 131	**(5 799 894)**	50
Heritage assets	206 303	-	**206 303**	206 303	**-**	50
	1 471 864 306	**(100 274 547)**	**1 371 589 759**	**1 545 675 861**	**174 086 102**	
Total Assets	**1 836 804 173**	**(143 769 573)**	**1 693 034 600**	**1 914 507 710**	**221 473 110**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	162 401 980	(6 003 324)	**156 398 656**	153 900 193	**(2 498 463)**	50
Payables from non-exchange transactions	14 076 572	(13 211 596)	**864 976**	594 814	**(270 162)**	50
VAT payable	40 965 562	(21 248 856)	**19 716 706**	28 860 221	**9 143 515**	50
Employee benefit obligation	3 611 695	(143 026)	**3 468 669**	872 280	**(2 596 389)**	50
Unspent conditional grants and receipts	-	-	**-**	9 129 169	**9 129 169**	50
	221 055 809	**(40 606 802)**	**180 449 007**	**193 356 677**	**12 907 670**	
Non-Current Liabilities						
Employee benefit obligation	6 467 999	888 000	**7 355 999**	7 897 959	**541 960**	50
Total Liabilities	**227 523 808**	**(39 718 802)**	**187 805 006**	**201 254 636**	**13 449 630**	
Net Assets	**1 609 280 365**	**(104 050 771)**	**1 505 229 594**	**1 713 253 074**	**208 023 480**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 326 869 075	178 360 519	**1 505 229 594**	1 713 253 072	**208 023 478**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	22 666 440	(1 726 422)	**20 940 018**	16 200 842	**(4 739 176)**	50
Grants	617 836 412	(9 173 000)	**608 663 412**	608 569 952	**(93 460)**	50
Interest income	12 689 051	15 323 949	**28 013 000**	31 028 160	**3 015 160**	50
Other receipts	4 161 508	200	**4 161 708**	1 277 691	**(2 884 017)**	50
	657 353 411	**4 424 727**	**661 778 138**	**657 076 645**	**(4 701 493)**	
Payments						
Suppliers and Employee costs	(460 910 299)	(36 728 849)	**(497 639 148)**	(499 111 410)	**(1 472 262)**	50
Finance costs	-	-	**-**	(493 088)	**(493 088)**	50
	(460 910 299)	**(36 728 849)**	**(497 639 148)**	**(499 604 498)**	**(1 965 350)**	
Net cash flows from operating activities	**196 443 112**	**(32 304 122)**	**164 138 990**	**157 472 147**	**(6 666 843)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(190 134 137)	(9 409 300)	**(199 543 437)**	(145 613 748)	**53 929 689**	50
Net increase/(decrease) in cash and cash equivalents	6 308 975	(41 713 422)	**(35 404 447)**	11 858 399	**47 262 846**	
Cash and cash equivalents at the beginning of the year	244 618 981	27 099 327	**271 718 308**	271 718 311	**3**	
Cash and cash equivalents at the end of the year	**250 927 956**	**(14 614 095)**	**236 313 861**	**283 576 710**	**47 262 849**	

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

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	20 099 890	986 621	21 086 511	-		21 086 511	29 970 318		8 883 807	142 %	149 %
Service charges	58 744 576	6 053 170	64 797 746	-		64 797 746	67 752 967		2 955 221	105 %	115 %
Investment revenue	26 360 976	16 805 010	43 165 986	-		43 165 986	44 985 635		1 819 649	104 %	171 %
Transfers revenue	617 836 412	(9 173 000)	608 663 412	-		608 663 412	600 305 758		(8 357 654)	99 %	97 %
Other own revenue	4 161 508	3 147 810	7 309 318	-		7 309 318	4 940 110		(2 369 208)	68 %	119 %
Total revenue (excluding capital transfers and contributions)	**727 203 362**	**17 819 611**	**745 022 973**	**-**		**745 022 973**	**747 954 788**		**2 931 815**	**100 %**	**103 %**
Employee costs	(172 917 999)	-	(172 917 999)	-	(253 153)	(173 171 152)	(157 518 552)	-	15 652 600	91 %	91 %
Remuneration of councillors	(23 283 997)	(1 000 000)	(24 283 997)	-	-	(24 283 997)	(23 256 345)	-	1 027 652	96 %	100 %
Depreciation and asset impairment	(101 238 869)	(75 506 913)	(176 745 782)			(176 745 782)	(215 694 540)	(38 948 758)	(38 948 758)	122 %	213 %
Finance charges	-	(100 804)	(100 804)	-	-	(100 804)	(493 088)	(392 284)	(392 284)	489 %	DIV/0 %
Inventory consumed and bulk purchases	(52 700 278)	(891 891)	(53 592 169)	-	237 451	(53 354 718)	(49 060 126)	-	4 294 592	92 %	93 %

Moretele Local Municipality

Other expenditure	(212 008 025)	(34 736 154)	(246 744 179)	-	15 702	(246 728 477)	(304 111 673)	(58 112 233)	(57 383 196)	123 %	143 %
Total expenditure	**(562 149 168)**	**(112 235 762)**	**(674 384 930)**	**-**	**-**	**(674 384 930)**	**(750 134 324)**	**(97 453 275)**	**(75 749 394)**	**111 %**	**133 %**
Surplus/(Deficit)	**165 054 194**	**(94 416 151)**	**70 638 043**	**-**		**70 638 043**	**(2 179 536)**		**(72 817 579)**	**(3)%**	**(1)%**
Surplus/(Deficit) for the year	**165 054 194**	**(94 416 151)**	**70 638 043**	**-**		**70 638 043**	**(2 179 536)**		**(72 817 579)**	**(3)%**	**(1)%**

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant account policies

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

1.1 Basis of preparations

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

The entity 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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.

Accounting Policies

1.3 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.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Long-term employee benefit obligations

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 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Receivables are assessed individually if they are significant otherwise they are assessed either individually or collectively. For the purposes of collective assessment of impairment, receivables are grouped based on similar credit risk characteristics. This grouping is done based on a credit risk evaluation or grading process that considers: Asset type, Industry, geographical location, collateral type, past due status and other relevant factors.

Discount rate was derived from minimum prescribed interest of 10.00% for government entities and adjusted based on the credit risk profile of each group of receivables.

Impairment of receivables from exchange transactions

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

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

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

Receivables are assessed individually if they are significant otherwise they are assessed either individually or collectively. For the purposes of collective assessment of impairment, receivables are grouped based on similar credit risk characteristics. This grouping is done based on a credit risk evaluation or grading process that considers: Asset type, Industry, geographical location, collateral type, past due status and other relevant factors.

Discount rate was derived from minimum prescribed interest of 10.00% for government entities and adjusted based on the credit risk profile of each group of receivables.

1.4 Investment property

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

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

1.4 Investment property (continued)

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.

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 50 years
Furniture and fixtures	Straight-line	4 - 10 years
Motor vehicles	Straight-line	5 - 15 years
IT equipment	Straight-line	3 - 8 years
Leased Assets	Straight-line	3 years
Infrastructure	Straight-line	5 -100 years

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

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

The 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.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

1.6 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 the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

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).

1.8 Heritage assets

Recognition

The entity 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 entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.8 Heritage assets (continued)

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).

1.9 Financial instruments

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

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.

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

1.10 Statutory receivables (continued)

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

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

Other charges

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

Impairment losses

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

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
- 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.

1.10 Statutory receivables (continued)

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

1.11 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

1.12 Inventories (continued)

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

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

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

1.13 Impairment of cash-generating assets

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

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.

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.

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 the 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 entity 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.

1.13 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.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

Designation

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

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.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity 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.

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

Accounting Policies

1.15 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: Defined contribution plans

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

When an employee has rendered service to the 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.

Accounting Policies

1.15 Employee benefits (continued)

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 entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity'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 entity 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.

1.15 Employee benefits (continued)

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

- 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, an entity 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 entity 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 entity 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).

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 entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Accounting Policies

1.15 Employee benefits (continued)

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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 39.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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.

1.18 Revenue from exchange transactions (continued)

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

1.19 Revenue from non-exchange transactions

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

Recognition

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

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

Measurement

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

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

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

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 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

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.

1.19 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses 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 the arrangement.

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

Accounting Policies

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

1.22 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.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including
- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government

National Treasury circular no. 68 of 2013 which was issued in terms of sections 62(1)(d) of the MFMA requires the following (effective from 1 July 2013):

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

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

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

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

1.24 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

1.24 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

1.25 Budget information

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

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

The 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.

1.26 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.

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

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

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.

1.27 Events after reporting date

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 103 (as revised): Heritage Assets

Background

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

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

Key amendments to GRAP 103

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

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

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

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

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

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

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

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

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

It is unlikely that the standard will have a material impact on the entity'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.

The entity 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 entity's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 895 550	-	10 895 550	20 568 056	-	20 568 056

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	20 568 056	(9 672 506)	10 895 550

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	20 403 165	164 891	20 568 056

Pledged as security

No investment property has been pledged as security:

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2024. Fair valuations were performed by Engnet Solutions, who contracted an independant valuer, Mr Stefan Rudman, ND Real Estate (Property Valuations), who is registered with the Professional Valuers Council, Registration Number: 3693. Mr Stefan Rudman and Engnet Solutions are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Basedd on the nature of the properties, different valuations methods were used. Various assumptions are used for valuation are used for valuating the properties and these valuation certificates are available for inspection at the municipality. These assumptions are based on current market confitions. All of the municpality's investment property is held, under freehold interest and no investment property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposals.
There are no contractual obligations on investment property.

Revenue from rental of investment property.

Rental revenue from investment property	178 351	172 730

Notes to the Annual Financial Statements

Figures in Rand

4. 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	47 298 661	-	47 298 661	47 298 661	-	47 298 661
Buildings	236 339 719	(99 320 656)	137 019 063	254 326 174	(69 177 286)	185 148 888
Furniture and fixtures	10 622 422	(5 721 312)	4 901 110	9 157 394	(5 100 958)	4 056 436
Motor vehicles	20 679 618	(6 304 506)	14 375 112	24 222 733	(8 862 148)	15 360 585
IT equipment	66 230 421	(43 185 256)	23 045 165	67 229 053	(37 928 387)	29 300 666
Infrastructure	1 442 954 389	(429 350 132)	1 013 604 257	1 356 968 861	(344 349 239)	1 012 619 622
Work in progress	298 681 493	(4 375 984)	294 305 509	247 534 997	-	247 534 997
Total	**2 122 806 723**	**(588 257 846)**	**1 534 548 877**	**2 006 737 873**	**(465 418 018)**	**1 541 319 855**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	47 298 661	-	-	-	-	-	47 298 661
Buildings	185 148 888	528 590	(13 217 326)	-	(9 567 851)	(25 873 238)	137 019 063
Furniture and fixtures	4 056 436	1 506 227	-	-	(661 553)	-	4 901 110
Motor vehicles	15 360 585	3 602 040	(2 417 495)	-	(2 170 018)	-	14 375 112
IT equipment	29 300 666	572 460	(66 600)	-	(6 761 361)	-	23 045 165
Infrastructure	1 012 619 622	-	-	85 985 527	(42 814 164)	(42 186 728)	1 013 604 257
Work-in-progress	247 534 997	137 132 023	-	(85 985 527)	-	(4 375 984)	294 305 509
	1 541 319 855	**143 341 340**	**(15 701 421)**	**-**	**(61 974 947)**	**(72 435 950)**	**1 534 548 877**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Expensed	Transfers	Depreciation	Impairment loss	Total
Land	47 298 661	-	-	-	-	-	-	47 298 661
Buildings	186 548 965	-	(2 898 630)	-	12 002 099	(9 776 714)	(726 832)	185 148 888
Furniture and fixtures	4 348 855	293 305	-	-	-	(585 724)	-	4 056 436
Motor vehicles	10 003 650	6 659 870	-	-	-	(1 302 935)	-	15 360 585
IT equipment	29 778 058	5 593 778	-	-	-	(6 071 170)	-	29 300 666
Infrastructure	985 181 804	-	(11 418 973)	-	84 224 769	(41 475 873)	(3 892 105)	1 012 619 622
Work-in-progress	208 959 560	141 051 947	-	(6 249 642)	(96 226 868)	-	-	247 534 997
	1 472 119 553	**153 598 900**	**(14 317 603)**	**(6 249 642)**	**-**	**(59 212 416)**	**(4 618 937)**	**1 541 319 855**

Pledged as security

No Property, plant and equipment has been pledged as security.

4. Property, plant and equipment (continued)

Changes in accounting estimate

During the year ended 30 June 2024,there were no changes in useful l

The effect of changes in useful lives which was done on 30 June 2023 has the following effect on the profit and loss:

	2024	2023
Current year		
Increase/ (Decrease) in depreciation expense in the current year:		
Furniture and Office Equipment	-	(2 650)
IT Equipment	-	(9 365)
Motor Vehicles	-	(61 776)
Buildings	-	418 254
Infrastructure	-	22 488 958
	-	**22 833 421**

	2024	2023
Future years		
Decrease in depreciation expense in the future years:		
Buildings	-	(550 738)
Infrastructure	-	(29 133 999)
	-	**(29 684 737)**

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2024	2023
Buildings	59 666 299	58 920 583
Infrastructure	234 639 209	188 614 414
	294 305 508	**247 534 997**

Age analysis of ongoing projects

	In progress	Delayed	Contractor terminated	Halted	Total
1 year	27 909 234	-	-	-	27 909 234
3 years	113 542 007	-	-	10 983 871	124 525 878
5 years	-	30 429 374	-	-	30 429 374
> 5 years	-	28 634 280	60 044 184	22 762 558	111 441 022
	141 451 241	**59 063 654**	**60 044 184**	**33 746 429**	**294 305 508**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2024	2023
Community Assets	559 495	362 500
Buildings	2 197 977	1 424 398
Infrastructure	13 211 511	13 134 770
Motor Vehicles	1 137 588	1 036 905
Office Furniture and Equipment	15 000	864 135
	17 121 571	**16 822 708**

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

Notes to the Annual Financial Statements

Figures in Rand

5. 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	164 782	(139 651)	25 131	164 782	(84 573)	80 209

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	80 209	(55 078)	25 131

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	2 147 855	(2 067 646)	80 209

Pledged as security

There are no intangible assets pledged as security:

Intangible assets disposed

Fully amortised Intangible assets disposed as licences had expired had the following cost.

Total software disposed Cost	-	20 501 096

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

7. Work in Progress: Inventory

Details		
Public toilets distributed	13 073 520	34 005 791

8. Operating lease asset (liability)

Current assets	65 529	49 913

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Operating lease asset (liability) (continued)

Minimum lease payments		
Within one year	59 810	106 845
In second to fifth year inclusive	279 114	239 241
Later than five years	-	99 684
	338 924	**445 770**

The Municipality currently has a rental agreement with Vodacom that expires in 2030.

9. Employee benefit obligations

Long service awards

Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The actuarial valuations of plan asset and present value of the defined benefit obligation were carried out by Xivoni Actuaries. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(7 897 959)	(7 596 000)
Non-current liabilities	(7 897 959)	(7 356 000)
Current liabilities	(872 280)	(240 000)
	(8 770 239)	**(7 596 000)**

Changes in the present value of the long service award are as follows:

Opening balance	(7 596 000)	(6 996 000)
Benefits paid	240 767	576 000
Net expense recognised in the statement of financial performance	(1 415 006)	(1 176 000)
	(8 770 239)	**(7 596 000)**

Net expense recognised in the statement of financial performance

Current service cost	652 386	586 000
Interest cost	798 225	803 000
Actuarial (gains) losses	(35 605)	(213 000)
	1 415 006	**1 176 000**

Figures in Rand	2024	2023

9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Consumer price inflation	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase rate	CPI +1%	CPI +1%
Discount rates used	Yield curve	Yield curve
Average retirement age	63	63

20% decrease in assumed level of withdrawal rates		
Accrued Liability	9 130 986	7 915 000
Current service cost	754 711	641 000
Interest cost	915 730	1 026 000
20% increase in assumed level of withdrawal rates:		
Accrued Liability	8 438 721	7 299 000
Current service cost	680 727	575 000
Interest cost	837 922	942 000
1% decrease in assumed level of salary inflation		
Accrued Liability	8 277 918	7 152 000
Current service cost	671 427	566 000
Interest cost	821 031	923 000
1% increase in assumed level of salary inflation		
Accrued Liability	9 306 463	8 079 000
Current service cost	764 179	650 000
Interest cost	934 218	1 048 000

10. Inventories

Consumable stores	132 027	222 792
Carrying value of inventories carried at fair value less costs to sell	132 027	222 792
Inventories recognised as an expense during the year	1 914 651	1 303 609

Inventory pledged as security

No inventory pledged as security.

9.1 Borehole water

Water inventory extracted from boreholes was assessed by management and the effect is insignificant to the financial statements of the Municipality. This was based on all the reserviors maximum capacity and estimated price per kilolitre.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Receivables from exchange transactions

Accrued interest	1 976 294	1 387 679
Debtor on licence and permits	624 053	406 340
Consumer debtors - Water	12 565 953	17 184 343
Consumer debtors - Refuse	9 811 631	9 100 372
Consumer debtors - Interest and sundry	12 461 824	6 462 868
	37 439 755	**34 541 602**

12. Receivables from non-exchange transactions

Consumer debtors - Rates	44 816 427	43 426 116
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	44 816 427	43 426 116
Total receivables from non-exchange transactions	44 816 427	43 426 116

Statutory receivables general information

Transaction(s) arising from statute

Property rates are governed by the Municipal Property Rates Act which regulates the power of a municipality to value and rate immovable properties (that is, land and buildings) located within the boundaries of municipalities. The market value of the properties is determined by professional valuers who value the immovable property at an amount the property would have realised if sold on the open market.

Determination of transaction amount

Municipal property rates are the financial liabilities that each immovable property owner pays to the municipality where his/her immovable property (land and buildings) is located. The financial liabilities for property rates are calculated by multiplying the market value of immovable property (land plus buildings) by a cent amount in the rand that a municipal council has determined

Interest or other charges levied/charged

Interest on rates is calculated on accounts that are overdue and payable after 30 days. The interest is charged daily on outstanding amounts after 30 days.

13. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	144 515 828	133 382 910
Consumer debtors - Water	277 463 554	254 081 873
Consumer debtors - Refuse	196 013 319	171 504 977
Consumer debtors - Interest and sundry	109 718 719	84 030 959
Debtor on licence and permits	624 053	406 340
Accrued interest	1 976 294	1 387 679
	730 311 767	**644 794 738**

Less: Allowance for impairment		
Consumer debtors - Rates	(99 699 401)	(89 956 794)
Consumer debtors - Water	(264 897 601)	(236 897 530)
Consumer debtors - Refuse	(186 201 688)	(162 404 605)
Consumer debtors - Interest and sundry	(97 256 895)	(77 568 091)
	(648 055 585)	**(566 827 020)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	44 816 427	43 426 116
Consumer debtors - Water	12 565 953	17 184 343
Consumer debtors - Refuse	9 811 631	9 100 372
Consumer debtors - Interest and sundry	12 461 824	6 462 868
Debtor on licence and permits	624 053	406 340
Accrued interest	1 976 294	1 387 679
	82 256 182	**77 967 718**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Residences		
Current (0 -30 days)	10 299 316	21 062 670
31 - 60 days	6 793 110	6 176 723
61 - 90 days	6 774 625	6 158 159
91 - 120 days	6 759 857	6 154 555
121 - 365 days	71 122 021	52 005 651
> 365 days	511 122 753	423 670 516
	612 871 682	515 228 274
Less: Allowance for impairment	(588 292 246)	(491 223 943)
	24 579 436	**24 004 331**

Commercial		
Current (0 -30 days)	260 366	4 177 969
31 - 60 days	139 154	374 782
61 - 90 days	138 895	374 548
91 - 120 days	138 649	374 433
121 - 365 days	1 712 160	2 519 125
> 365 days	16 769 675	18 586 669
	19 158 899	26 407 526
Less: Allowance for impairment	(12 558 321)	(14 435 277)
	6 600 578	**11 972 249**

National and provincial government		
Current (0 -30 days)	12 745 845	19 558 541
31 - 60 days	809 975	824 003
61 - 90 days	794 298	793 789
91 - 120 days	777 439	880 740
121 - 365 days	8 362 144	10 642 098
> 365 days	72 191 136	50 306 342
	95 680 837	83 005 513
Less: Allowance for impairment	(47 205 017)	(42 806 932)
	48 475 820	**40 198 581**

Indigent		
Current (0 -30 days)	1 769 603	1 439 298
31 - 60 days	613 106	827 403
61 - 90 days	954 560	825 634
91 - 120 days	951 808	823 477
121 - 365 days	4 459 983	4 318 929
> 365 days	919 689	10 126 128
	9 668 749	18 360 869
Less: Write off	(9 668 749)	(18 360 869)
	-	**-**

Total debtor past due but not impaired		
31 - 60 days	8 355 345	8 202 910
61 - 90 days	8 662 379	8 152 129
91 - 120 days	8 627 753	8 233 205
121 - 365 days	28 935 227	-
	54 580 704	**24 588 244**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment

	2024	2023
Balance at beginning of the year	566 827 021	464 832 662
Contributions to allowance	81 228 565	101 994 359
	648 055 586	**566 827 021**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	2 364	(8)
Bank balances	8 856 808	198 639 815
Short-term deposits	276 968 939	73 078 504
	285 828 111	**271 718 311**

The short term issuer default rating for ABSA bank is a B rating as per the Fitch Ratings.

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 - Account type - Cheque	8 856 808	198 639 815	192 991 449	8 856 808	198 639 815	192 991 449
ABSA PRIME LINKED 9361865734	35 014 436	32 035 573	13 921 082	35 014 436	32 035 573	13 921 082
ABSA PRIME LINKED 9359270109	16 335 858	14 946 189	29 838 562	16 335 858	14 946 189	29 838 562
ABSA CALL 4079532472	140 814 171	26 030 165	6 663 274	140 814 171	26 030 165	6 663 274
ABSA FIXED 4089541558	84 804 474	66 577	13 092 274	84 804 474	66 577	13 092 274
Total	**285 825 747**	**271 718 319**	**256 506 641**	**285 825 747**	**271 718 319**	**256 506 641**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

	2024	2023
Library Grant	770 058	770 058
Municipal Infrastructure Grant	8 357 519	93 324
North West Sport : Maubane Cultural Village	1 592	1 592
	9 129 169	**864 974**

Movement during the year

	2024	2023
Balance at the beginning of the year	864 873	14 076 570
Additions during the year	8 357 519	-
Income recognition during the year	-	(13 211 697)
Roll-over denied	(93 223)	-
	9 129 169	**864 873**

Figures in Rand	2024	2023

16. Payables from exchange transactions

Trade payables	45 214 798	55 625 232
Payments received in advanced - contract in process	41 892 184	43 620 600
Retention	35 690 851	42 305 757
Trade payable -Accruals	9 928 121	14 579 584
Accrued leave pay	17 490 607	15 870 045
Accrued bonus	3 683 634	3 228 671
	153 900 195	**175 229 889**

Reconciliation of financial liabilities

Trade payables	153 900 195	175 229 889
Accrued leave pay	(17 490 607)	(15 870 045)
Accrued bonus	(3 683 634)	(3 228 671)
	132 725 954	**156 131 173**

17. Payables from non-exchange

Unallocated receipts	594 814	502 126

18. VAT payable

Tax refunds payables	28 860 221	12 951 997

19. Revenue

Rendering of services	6 404	7 933
Service charges	67 752 967	63 840 019
Rental of facilities and equipment	178 351	172 730
Sale of goods	490 611	705 454
Fair value adjustments	-	16 278 807
Operating income	106 223	86 641
Interest received -	44 985 635	33 100 609
Property rates	29 970 318	29 779 147
Actuarial gains/losses	35 605	213 000
Government grants & subsidies	600 305 758	618 540 127
Fines, Penalties and Forfeits	747 638	650 291
	744 579 510	**763 374 758**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	67 752 967	63 840 019
Rendering of services	6 404	7 933
Rental of facilities and equipment	178 351	172 730
Sale of goods	490 611	705 454
Fair value adjustments	-	16 278 807
Operating income	106 223	86 641
Interest received - investment	44 985 635	33 100 609
	113 520 191	**114 192 193**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	29 970 318	29 779 147
Transfer revenue		
Government grants & subsidies	600 305 758	618 540 127
Fines, Penalties and Forfeits	747 638	650 291
	631 023 714	**648 969 565**

20. Service charges

Sale of water	39 214 848	37 087 114
Refuse removal	28 538 119	26 752 905
	67 752 967	**63 840 019**

The service charges represent fees levied by the municipality for the provisions of essential services which includes water supply and refuse removal, these charges are the primary.

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	178 351	172 730

This is income earned through leasing municipal facilities to individuals,businesses and communities.

22. Licence and permits

Licence and permits	747 638	650 291

This is Income from licence discs collected by the Municipality on behalf of the Department of Traffic. The money collected goes into the bank account belonging to the Department of Traffic and the Municipality will receive 20% of the amounts collected.

23. Other revenue

Sale of goods	490 611	705 454
Fair value adjustment	-	16 278 807
Operating income	106 223	86 641
	596 834	**17 070 902**

24. Other income

Administrative handling and gym fees	62 614	20 309
Building plans approval	43 609	66 202
Sundry income	-	130
	106 223	**86 641**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Interest received

Interest received		
Bank	31 616 777	22 048 803
Interest charged on trade and other receivables	13 368 858	11 051 806
	44 985 635	**33 100 609**

The municipal positive liquidity allowed for a more effective cash flow management, resulting in an increased investment income.

26. Interest from non-exchange receivables

Interest - Property rates	3 375 278	3 463 739

27. Property rates

Rates received

Residential	29 970 318	29 779 147

The valuation roll is prepared in term of the municial property rate Act and the valuation roll is valid for 5 years. Current valuation is valid until 30 June 2024.

Figures in Rand	2024	2023

28. Government grants & subsidies

Operating grants		
Equitable share	443 170 884	415 350 557
Expanded Public Works Programme Grant	2 713 000	1 998 000
Local Government Financial Management Grant	2 900 000	2 900 000
Municipal Disaster Relief Grant	-	200 000
Library Grant	1 036 000	990 955
North West Sport -Maubane Cultural Grant	-	115 408
LG Seta Grant	327 953	398 530
	450 147 837	**421 953 450**

Capital grants		
Municipal Infrastructure Grant	120 157 921	131 586 678
Water Supply Infrastructure Grant	30 000 000	64 999 999
	150 157 921	**196 586 677**
	600 305 758	**618 540 127**

Expanded Public Works Programme Grant

Current-year receipts	2 713 000	1 998 000
Conditions met - transferred to revenue	(2 713 000)	(1 998 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Local Government Financial Management Grant

Current-year receipts	2 900 000	2 900 000
Conditions met - transferred to revenue	(2 900 000)	(2 900 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Library Grant

Balance unspent at beginning of year	770 059	769 014
Current-year receipts	1 036 000	992 000
Conditions met - transferred to revenue	(1 036 000)	(990 955)
	770 059	**770 059**

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	93 884	13 190 556
Current-year receipts	128 516 000	131 680 000
Conditions met - transferred to revenue	(120 157 924)	(131 586 672)
Rollover denied and witheld from equitable share	(93 884)	(13 190 000)
	8 358 076	**93 884**

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

North West Sport : Maubane Cultural Village

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants & subsidies (continued)

Balance unspent at beginning of year	1 592	117 000
Conditions met - transferred to revenue	-	(115 408)
	1 592	**1 592**

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

Water services, Infrastructure grant (WSIG)

Current-year receipts	30 000 000	65 000 000
Conditions met - transferred to revenue	(30 000 000)	(65 000 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Municipal Disaster Relief Grant

Current-year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Figures in Rand	2024	2023

29. Employee related costs

Basic	102 090 791	93 238 784
Bonus	8 112 991	6 841 520
Medical aid - company contributions	8 147 585	7 466 867
UIF	541 558	529 043
Leave pay provision charge	1 620 562	573 984
Travel, motor car, accommodation, subsistence and other allowances	16 854 270	15 146 560
Overtime payments	113 159	998 007
Long-service awards	1 209 844	1 389 000
Acting allowances	-	728 332
Housing benefits and allowances	358 890	412 623
Social contributions -Bargaining Council	34 106	32 151
Telephone	1 926 488	1 739 356
Pension contribution	16 508 308	15 272 157
	157 518 552	**144 368 384**

Remuneration of Municipal Manager - S Ngwenya (1 July 2023 - 30 June 2024)

Basic Salary	1 058 012	914 752
Travel and cellphone allowance	344 117	333 291
Contributions to UIF, Medical and Pension Funds	2 125	2 125
	1 404 254	**1 250 168**

Remuneration of Chief Financial Officer B(Sathekge) (1 July 2023 to 30 June 2024)

Basic Salary	850 999	261 117
Housing Allowance	18 000	6 000
Travel and cellphone allowance	273 246	78 736
Contributions to UIF, Medical and Pension Funds	4 953	708
	1 147 198	**346 561**

The Chief Financial Officer worked at the Municipality for the whole in the current year.Last year she only worked for 4 months from 1 March 2023 to 30 June 2023.

Remuneration of Acting Chief Financial Officer (T Dire) (1 September 2022 - 28 February 2023)

Acting Allowance	-	33 147

Remuneration of Chief Financial Officer (DB Klass) (1 July 2022 to 31 August 2022)

Basic Salary	-	142 963
Housing Allowance	-	3 000
Travel and cellphone allowance	-	39 368
Leave payment	-	120 571
Contributions to UIF, Medical and Pension Funds	-	354
	-	**306 256**

Remuneration of Infrastructure Development Services Director : Technical Services - (MP Molautsi) (1 July 2023 - 30 June 2024)

Basic Salary	768 950	-
Acting Allowance	-	10 198
Travel and cell phone allowance	245 283	-
Contributions to UIF, Medical and Pension Funds	2 125	-
	1 016 358	**10 198**

Figures in Rand	2024	2023

29. Employee related costs (continued)

Remuneration of Director : Local Economic Development -TS Mohalanyane (1 July 2023 - 30 June 2024)

Basic Salary	778 559	704 096
Travel and cell phone allowance	258 131	247 695
Contributions to UIF, Medical and Pension Funds	6 899	2 125
	1 043 589	**953 916**

Community Development Services Acting Director (J Mathibe) (6 May 2024 - 30 June 2024)

Acting Allowance	20 827	-

Remuneration of Director: Community Development - LD Lehari (1 July 2023 - 3 May 2024)

Basic salary	673 255	707 918
Travel and cellphone allowance	236 006	243 873
Contributions to UIF, Medical and Pension Funds	1 948	2 125
Leave payment	129 035	-
	1 040 244	**953 916**

Remuneration of Director: Corporate and Human Resources - PN Mahlo (1 July 2023 - 30 June 2024)

Basic salary	790 559	716 096
Travel and cellphone allowance	246 131	235 695
Contributions to UIF, Medical and Pension Funds	2 125	2 125
	1 038 815	**953 916**

30. Remuneration of councillors

Executive Major	988 011	916 137
Single Whip	753 360	698 200
Speaker	800 296	741 787
MPAC Chairperson	739 223	685 066
Exco Members	6 782 096	6 295 011
Councillors	13 193 360	12 219 654
	23 256 346	**21 555 855**

2024 Mayor	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MG Manyike	652 263	228 692	46 570	87 486	988 011

2024 Single Whip	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
NK Mleta	469 654	171 518	46 570	65 618	753 360

2024 Speaker	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
F Mapela	500 783	182 953	46 570	69 990	800 296

2024 Municipal Public Committee Accounts chairperson	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MD Kodisang	460 282	168 072	46 570	64 299	739 223

30. Remuneration of councillors (continued)

2024 Exco Members	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
VK Maluleka	469 654	171 518	46 570	67 474	755 216
MM Moetji	469 654	171 518	46 570	65 618	753 360
J Macheke	469 654	171 518	46 570	65 618	753 360
FM Tsoku	469 654	171 518	46 570	65 618	753 360
MG Molefe	469 654	171 518	46 570	65 618	753 360
CM Shai	469 654	171 518	46 570	65 618	753 360
SL Ndlovu	469 654	171 518	46 570	65 618	753 360
RC Pete	469 654	171 518	46 570	65 618	753 360
MV Mphaphudi	469 654	171 518	46 570	65 618	753 360
	4 226 886	**1 543 662**	**419 130**	**592 418**	**6 782 096**

30. Remuneration of councillors (continued)

2024 Councillors	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
PS Letlhabi	200 327	72 373	46 570	28 472	347 742
PM Mabena	200 327	72 373	46 570	27 694	346 964
MC Moatshe	200 327	72 373	46 570	28 472	347 742
D Sono	200 327	72 373	46 570	28 472	347 742
S Nkwana	200 327	72 373	46 570	28 472	347 742
RC Lekalakala	200 327	72 373	46 570	28 472	347 742
SJ Modisa	200 327	72 373	46 570	27 694	346 964
RME Kutumela	200 327	72 373	46 570	27 694	346 964
EL Moselane	200 327	72 373	46 570	28 472	347 742
SA Kutumela	200 327	72 373	46 570	28 472	347 742
DBS Mbekwa	200 327	72 373	46 570	28 472	347 742
OM Mamabolo	189 777	68 235	43 899	25 372	327 283
DD Nkutshweu	200 327	72 373	46 570	11 610	330 880
TN Skosana	200 327	72 373	46 570	27 694	346 964
PK Letlape	200 327	72 373	46 570	27 694	346 964
LF Modise	200 327	72 373	46 570	27 694	346 964
ML Mosane	200 327	72 373	46 570	27 694	346 964
DK Motlhasedi	200 327	72 373	46 570	27 694	346 964
AI Zimba	200 327	72 372	46 570	27 694	346 963
SM Ndlala	9 792	-	-	-	9 792
AD Tlhabane	200 327	72 372	46 570	27 694	346 963
JM Motaung	200 327	72 372	46 570	27 694	346 963
DS Sethole	200 327	72 372	46 570	2 322	321 591
FV Mashaba	200 327	72 372	46 570	-	319 269
GKT Mamadi	200 327	72 372	46 570	27 694	346 963
S Chauke	200 327	72 372	46 570	27 694	346 963
TM Sithole	200 327	72 372	46 570	27 694	346 963
PM Letebele	200 327	72 372	46 570	27 694	346 963
EKM Selepane	200 327	72 372	46 570	27 694	346 963
JK Baloyi	101 155	33 482	21 466	-	156 103
JD Mathimbi	200 327	72 372	46 570	27 694	346 963
ND Langa	187 813	72 372	46 570	-	306 755
MG Baloyi	200 327	72 372	46 570	27 694	346 963
MA Monaheng	200 327	72 372	46 570	28 472	347 741
BL Sithole	200 327	72 372	46 570	-	319 269
MJ Kau	9 792	-	-	-	9 792
KJ Molefe	200 327	72 372	46 570	28 472	347 741
ST Motshegoa	200 327	72 372	46 570	27 694	346 963
S Mashele	107 486	35 964	23 068	-	166 518
ED Segona	200 327	72 372	46 570	23 220	342 489
TL Sekhaolela	187 813	72 372	46 570	-	306 755
TJ Mosetlhe	77 368	30 340	19 585	-	127 293
SL Mashele	48 531	19 032	12 285	-	79 848
	7 730 645	**2 792 462**	**1 796 823**	**873 430**	**13 193 360**

2023 Mayor	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MG Manyike	565 260	221 676	44 400	84 801	916 137

2023 Single Whip	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
NK Mleta	423 948	166 248	44 400	63 604	698 200

30. Remuneration of councillors (continued)

2023 Speaker	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
F Mapela	452 208	177 336	44 400	67 843	741 787

2023 Municipal Public Committee Accounts chairperson	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MD Kodisang	415 428	162 912	44 400	62 326	685 066

2023 Exco Members	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
VK Maluleka	423 948	166 248	44 400	74 815	709 411
MM Moetji	423 948	166 248	44 400	63 604	698 200
J Macheke	423 948	166 248	44 400	63 604	698 200
FM Tsoku	423 948	166 248	44 400	63 604	698 200
MG Molefe	423 948	166 248	44 400	63 604	698 200
CM Shai	423 948	166 248	44 400	63 604	698 200
SL Ndlovu	423 948	166 248	44 400	63 604	698 200
RC Pete	423 948	166 248	44 400	63 604	698 200
MV Mphaphudi	423 948	166 248	44 400	63 604	698 200
	3 815 532	**1 496 232**	**399 600**	**583 647**	**6 295 011**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Remuneration of councillors (continued)

2023 Councillors	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
PS Letlhabi	178 884	70 152	44 400	31 568	325 004
PM Mabena	178 884	70 152	44 400	26 844	320 280
MC Moatshe	178 884	70 152	44 400	31 568	325 004
D Sono	178 884	70 152	44 400	31 568	325 004
S Nkwana	178 884	70 152	44 400	31 568	325 004
RC Lekalakala	178 884	70 152	44 400	31 568	325 004
SJ Modisa	178 884	70 152	44 400	26 844	320 280
RME Kutumela	178 884	70 152	44 400	30 781	324 217
EL Moselane	178 884	70 152	44 400	31 568	325 004
SA Kutumela	178 884	70 152	44 400	31 568	325 004
DBS Mbekwa	178 884	70 152	44 400	31 568	325 004
OM Mamabolo	178 884	70 152	44 400	26 844	320 280
DD Nkutshweu	178 884	70 152	44 400	-	293 436
TN Skosana	178 884	70 152	44 400	22 370	315 806
PK Letlape	178 884	70 152	44 400	26 844	320 280
LF Modise	178 884	70 152	44 400	26 844	320 280
ML Mosane	178 884	70 152	44 400	26 844	320 280
DK Motlhasedi	178 884	70 152	44 400	26 844	320 280
AI Zimba	178 884	70 152	44 400	26 844	320 280
AD Tlhabane	178 884	70 152	44 400	26 844	320 280
JM Motaung	178 884	70 152	44 400	26 844	320 280
DS Sethole	178 884	70 152	44 400	-	293 436
FV Mashaba	178 884	70 152	44 400	-	293 436
GKT Mamadi	178 884	70 152	44 400	26 844	320 280
S Chauke	178 884	70 152	44 400	8 948	302 384
TM Sithole	178 884	70 152	44 400	26 844	320 280
PM Letebele	178 884	70 152	44 400	26 844	320 280
EKM Selepane	178 884	70 152	44 400	26 844	320 280
JK Baloyi	178 884	70 152	44 400	-	293 436
JD Mathimbi	178 884	70 152	44 400	26 844	320 280
ND Langa	14 907	5 846	3 700	-	24 453
MG Baloyi	178 884	70 152	44 400	22 370	315 806
MA Monaheng	178 884	70 152	44 400	31 568	325 004
BL Sithole	178 884	70 152	44 400	-	293 436
KJ Molefe	178 884	70 152	44 400	31 568	325 004
ST Motshegoa	178 884	70 152	44 400	26 844	320 280
S Mashele	178 884	70 152	44 400	-	293 436
ED Segona	178 884	70 152	44 400	-	293 436
TL Sekhaolela	14 907	5 846	3 700	-	24 453
SM Ndlala	134 163	52 614	33 300	20 133	240 210
MJ Kau	134 163	52 614	33 300	23 676	243 753
	6 916 848	**2 712 544**	**1 716 800**	**873 462**	**12 219 654**

Councillors are remunerated in terms of the public office bearers act as gazetted by the MEC responsible for local government

31. Depreciation and amortisation

	2024	2023
Property, plant and equipment	61 974 947	59 212 418
Amortisation of Intangible assets	55 078	2 067 646
	62 030 025	**61 280 064**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Impairment loss

Impairments		
Property, plant and equipment	72 435 950	4 618 937
Trade and other receivables	81 228 565	101 994 359
	153 664 515	**106 613 296**

33. Finance costs

Bank	493 088	1 216 706

34. Bulk purchases

Water	49 060 126	59 347 514

Material losses

Purchased during the year	4 455 500	5 798 700
Sold during the year	(3 383 507)	(3 227 773)
Unaccounted - Normal distribution losses - % water (2024 -21%) (2023 - 7%)	1 071 993	2 570 927
Kilo litres	956 054	407 333
Loss (R): At cost	11 080 660	4 206 289

35. Contracted services

Specialist Services	638 220	494 000
Outsourced Services		
Business and Advisory	13 607 930	11 676 858
Hygiene Services	38 002 411	28 178 844
Security Services	39 838 494	33 652 415
Consultants and Professional Services		
Business and Advisory	52 571 019	46 843 246
Infrastructure and Planning	26 217	57 600
Laboratory Services	9 178 279	9 101 594
Legal Cost	5 349 881	3 721 212
Contractors		
Maintenance of Buildings and Facilities	2 201 037	1 424 398
Maintenance of Equipment	382 170	2 360
Maintenance of Unspecified Assets	14 538 364	21 645 592
	176 334 022	**156 798 119**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. General expenses

Auditors remuneration	5 928 322	5 858 506
Bank charges	210 094	186 090
Skills Development Fund Levy	1 449 628	1 326 641
Travel and subsistence	1 908 902	2 249 418
Operating Lease	305 114	976 369
Mayoral Outreach Programmes	6 337 384	5 264 037
Fines and penalties	763 818	447 089
Catering	1 157 262	53 306
Insurance	5 494 959	4 016 434
IT expenses	2 750	33 370
Promotions and sponsorships	412 933	318 985
Magazines, books and periodicals	219 540	233 846
Fuel and oil	5 519 933	3 917 183
Postage and courier	-	1 600
Royalties and license fees	200 461	111 904
Subscriptions and membership fees	30 233	2 088 208
Telephone and fax	4 399 911	4 433 970
Travel - local	776 122	4 913 762
Utilities	15 593 355	13 793 996
LED projects	3 555 341	-
Conference and seminars	81 961	26 500
Public relations	429 900	679 530
Indigent relief	7 773 479	7 647 538
Stipends	9 663 928	8 154 702
Other expenses	5 531 473	4 275 704
	77 746 803	**71 008 688**

37. Cash generated from operations

(Deficit) surplus	(2 179 536)	77 855 593
Adjustments for:		
Depreciation and amortisation	62 030 025	65 899 001
Gain on sale of assets and liabilities	15 701 421	14 317 604
PPE impairment	72 435 950	-
Fair value adjustments	9 672 506	(3 589 263)
Debt impairment	81 228 565	101 994 359
Bad debts written off	9 668 750	4 477 719
Movements in operating lease assets and accruals	(15 161)	-
Movements in retirement benefit assets and liabilities	1 174 239	600 000
Other non-cash items	(34 278)	-
Other receivables from exchange	(588 616)	-
Changes in working capital:		
Inventories	90 765	(101)
Receivables from exchange transactions	(93 206 852)	(91 398 691)
Other receivables from exchange	-	(1 076 983)
Other receivables from non-exchange transactions	(1 390 311)	3 193 095
Prepayments	(71 739)	(478 261)
Payables from exchange transactions	(19 057 287)	24 291 341
VAT	15 908 224	(544 279)
Payables from (non-exchange)	92 688	(3 754 193)
Unspent conditional grants and receipts	8 264 195	(13 211 595)
Operating lease assets and accruals	-	33 557
Public toilets inventory	-	4 682 527
Consumer deposits	-	(30 476)
	159 723 548	**183 260 954**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved and contracted for	49 234 911	107 862 247
Total capital commitments		
Already contracted for but not provided for	49 234 911	107 862 247

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted for	150 716 377	76 852 016
Total operational commitments		
Already contracted for but not provided for	150 716 377	76 852 016

Total commitments

Total commitments		
Authorised capital expenditure	49 234 911	107 862 247
Authorised operational expenditure	150 716 377	76 852 016
	199 951 288	**184 714 263**

This committed expenditure relates to capital projects and operations and will be financed by existing cash resources, internally generated funds and government grants.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality.

Contingent liabilities incurred relating to interests in other entities

Contingent Liabilities	Nature		2024	2023
Bathini Security Services-Civil Matter (Against)- Matter still pending in court with possibility of liability	MLM filed its plea way back in 2009 which counter claim as a result of theft of MLM poperties (Mmmakaunyane/ Makapanstad Stadium. The possibility of reimbursement		421 061	421 061
Bokosi Projects - Civil Matter (Against)	Contractor did not complete his snag list and MLM disputed claims to snag list.		6 404 050	6 404 050
Chachaoka Management Project - Civil Matter (Against) Matter still pending in Court	Chachaoka Management instituted legal action based on a 2013 tender which was awarded to another bidder. There is a possibility of reimbursement.		6 450 000	6 450 000
Khoza M - Civil matter (Against) - Matter still pending in Court	Plaintiff's Attorney of record withdrew from their matter following unsuccessful application for summary judgement in 2018.There possibility of reimbursement is unknown at the reporting date.		10 000 000	10 000 000
Thomo Mphela Projects t/a Kago consulting engineers	This contract relates to the building where there was under-performance by the contractor and the contractor claims liability for the commitment based on the contract value.		9 500 000	15 000 000
T Nxumalo v MLM	Employee was dismissed for forging his superior's signature. CCMA ruled in favour of MLM, the employee applied for a review of the award		1 500 000	1 500 000
Mabotwane Security Services v MLM	Claim for unpaid invoices		1 192 410	1 000 000
Diges	Supplier is suing the municipality for the cessation amount that was not paid		1 932 987	-
		-	**37 400 508**	**40 775 111**

Other contingent liabilities

Municipality has furthermore a contingent liability relating to possible fines or penalties that could be incur due to illegal dumping by the community, currently taking place on land owned by them Motla . A possible obligation exists for the rehabilitation of the same land.

Contingent assets

	2024	2023
Sizwe Auctions / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	3 515 057	3 515 057

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Related parties

Relationships	
Accounting officer	Refer to Accounting Officer's Responsibilities and Approvals Report
Members of key management remuneration	Refer to note 29
Councillors	Refer to note 30
Councillor arrear balances	Refer to note 47

41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Inventories		222 792	-	222 792
Operating lease asset		49 913	-	49 913
Trade and other receivables from exchange transactions		34 541 602	-	34 541 602
Trade and other receivables from non-exchange transactions		43 426 116	-	43 426 116
Prepayments	[a]	-	478 261	478 261
Cash and cash equivalents		271 718 311	-	271 718 311
Investment property	[b]	18 739 571	1 828 485	20 568 056
Property, plant and equipment	[c]	1 257 370 000	283 949 855	1 541 319 855
Intangible assets	[d]	3 225 025	(3 144 816)	80 209
Heritage assets		206 303	-	206 303
Payables from exchange transactions	[e]	(173 027 647)	(2 202 243)	(175 229 890)
Payables from non exchange transactions		(502 126)	-	(502 126)
VAT payable	[f]	(12 935 743)	(16 254)	(12 951 997)
Employee benefit obligation : short term		(240 000)	-	(240 000)
Unspent conditional grants and receipts		(864 974)	-	(864 974)
Employee benefit obligation : long term		(7 356 000)	-	(7 356 000)
Accumulated Surplus		(1 434 573 143)	(280 893 288)	(1 715 466 431)
		-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

41. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		63 840 019	-	-	63 840 019
Rendering of services		7 933	-	-	7 933
Rental of facilities and equipment		172 730	-	-	172 730
Sale of goods		705 454	-	-	705 454
Fair value adjustments		16 278 807	-	-	16 278 807
Operating income		86 641	-	-	86 641
Interest received	[r]	36 564 348	-	(3 463 739)	33 100 609
Actuarial gains		213 000	-	-	213 000
Property rates		29 779 147	-	-	29 779 147
Interest - Property rates	[r]	-	-	3 463 739	3 463 739
Government grants and subsidies		618 141 597	-	398 530	618 540 127
Fines, penalties and forfeits	[s]	650 291	-	(650 291)	-
Licence and permits	[s]	-	-	650 291	650 291
Employee related costs		(144 368 384)	-	-	(144 368 384)
Remuneration of councillors		(21 555 866)	-	-	(21 555 866)
Depreciation and amortisation	[h]	(103 508 618)	42 228 554	-	(61 280 064)
Reversal of Impairments (Impairment loss)	[i]	(106 578 423)	(34 873)	-	(106 613 296)
Finance costs		(1 216 706)	-	-	(1 216 706)
Bad debts written off		(4 477 719)	-	-	(4 477 719)
Bulk purchases		(59 347 514)	-	-	(59 347 514)
Contracted services	[j]	(139 537 735)	(10 948 837)	(6 311 549)	(156 798 121)
Fair value adjustment	[l]	-	(12 689 544)	-	(12 689 544)
Loss on disposal of assets and liabilities	[k]	(7 950 591)	(6 367 013)	-	(14 317 604)
Public toilets distributed	[m]	(33 932 881)	(72 910)	-	(34 005 791)
Inventory consumed		(1 303 609)	-	-	(1 303 609)
General expenses	[q]	(76 921 706)	-	5 913 019	(71 008 687)
Surplus for the year		**65 740 215**	**12 115 377**	**-**	**77 855 592**

Cash flow statement

41. Prior-year adjustments (continued)

2023

	Note	As previously reported	Re-classification	Restated
Cash flow from operating activities				
Grants Income	[n]	604 930 000	398 530	605 328 530
Payments made to suppliers	[o]	(302 894 485)	9 023 232	(293 871 253)
Sale of goods and services	[t]	14 917 302	(13 612 981)	1 304 321
Income from property rates	[t]	-	13 612 981	13 612 981
		316 952 817	**9 421 762**	**326 374 579**

	Note	As previously reported	Re-classification	Restated
Cash flow from investing activities				
Purchase of other intangible asset	[p]	(5 249 754)	5 249 754	-
Purchase of property, plant and equipment	[o]	(153 377 974)	(14 671 516)	(168 049 490)
		(158 627 728)	**(9 421 762)**	**(168 049 490)**

[n] Grants Income

The restatement was LG Seta which was remapped from other expenses to Grants and Subsidies

[o] Payments made to suppliers

This restatement relates to chases of software licences which was incorrectly capitalised as purchases of other intangibles and was remapped to payments to suppliers and LG Seta was was incorrectly mapped under other expenses and has now been remapped to Grant income.Payables of capital in nature of R 14 671 516 were reclassified from payments made to suppliers to property, plant and equipment.f

[p] Purchase of other intangible asset

The restatements relates to purchases of software licences which was incorrectly capitalised as intangibles and was remapped to payments to suppliers

[t] Separation of goods and services and property rates

Goods and services and property rates were combined in error and we have separated the two to show an accurate presentation of the cashflow statement.

Errors

[a] Prepayments

This was a prepayment of a PMS software invoice. This invoice was incorrectly capitalised as an intangible asset when it was a prepayment of a software licence. The Municipality has now recognised this invoice as a prepayment in the prior year.

[b] Investment Property

The restatement on Investment property was due to additional properties identified during the physical verification of assets. These properties had been ommited from the fixed asset register by error.

[c] Property, plant and equipment

The restatement on Property, Plant and Equipment was mainly due to a reassessment of useful lives that was done based on condition assessment.Most assets had zero values and upon doing their useful lives, their lives were increased and hence they values increased due to lower depreciation charged on the revised useful lives.

[d] Intangible Assets

41. Prior-year adjustments (continued)

The prior period error was as a result of some software licence including Microsoft Office licences, Caseware and antivirus software which are renewed annually and should have been expensed when incurred but were treated as intangible assets in error. The Municipality has now corrected the error.

[e] Payables from exchange transactions

The prior year payables increased due to retention deposits that were ommitted in the prior year and various invoices that were paid but invoices were not raised and for some invoices the payments made were understated in the journals raised and for other invoice, the payments were made but not recorded.

[f] **VAT payable**

The restatement relates to Vat of Onspot invoice that was overstated in the prior years and is being reversed in the prior year as a prior period adjustment.

[g] Government grants & subsidies

This is a remapping of LG Seta account which was remapped from other expenses sitting in General expenses to Government, Grants and subsidies.

[h] Depreciation and Amortisation

Depreciation and amortisation decreased by R 42 228 554 due to a decrease in amortisation of intangible assets of R2 267 895 which was reversed because it was amortised on licences were recognised in error. The depreciation on PPE also went down because the assets useful lives were reassessed and longer useful lives were assigned to most assets leading to a decrease in prior year depreciation by about R40m.

[i] Reversal of Impairments (Impairment loss)

The impairment of assets increased by R 34 873 due to the reassessment of useful lives done on Property, plant and equipment.

[j] Contracted services

Contracted services increase by R 10 948 837 due to land evualation costs that was capitalized to work in progress and not expensed and licence costs that were incorrectly capitalised to intangible assets instead of being expensed in the prior year.

[k] Loss on disposal of assets

Change in disposal of assets of R 6 367 013 was due to the change of values restated after the reassessment of useful lives.

[l] Fair value adjustment

The restatement on fair values by R 12 689 544 was due to additional Investment Properties identified during the physical verification of assets. These properties had been ommited from the fixed asset register by error.

[m] Public toilets distributed

This amount increased due to a retention amount restated because it was ommited in the prior year.

q) General Expenses

The restatement is due to an amount of R 6 311 548,70 which was reclassified from Repairs and Maintenance to Contracted services and an amount of R 398 529,72 which was reclassified from Other expenses to Government Grants and Subsidies.

41. Prior-year adjustments (continued)

r) Interest from non-exchange revenue

Interest from property rates which was previously classified as interest from exchange revenue has been reclassified to interest from non-exchange revenue.

s) Licence and permits

Fines ,penalties and Forfeits under Revenue from non- exchange have been renamed licence and permits and classified as revenue from exchange since it relates to the issue of licence discs to motorist which is done on behalf of the Department of Traffic.

Commitments

The Capital and Operational Commitments were restated because of adjustments made as a result of of incorrect allocations of invoices.

Commitments	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Capital commitments	111 383 145	(3 520 898)	-	-	107 862 247
Operational commitments	61 689 474	15 162 542	-	-	76 852 016
	173 072 619	**11 641 644**	**-**	**-**	**184 714 263**

41. Prior-year adjustments (continued)

Other Disclosures Restatements

Consumer Debtors Disclosure]

A disclosure for the total debtor past due but not impaired and a reconciliation of the allowance for impairment were included in line with GRAP 104. Refer to note 13

Cash and cash equivalents

The Municipality investments accounts which were previously summed up together were disclosed separately as per account. Refer to note 14

Interest from non-exchange receivables

Interest from debtors for property rates was disclosed separately as interets from non - exchange receivables, and a note was included in the financial statements. Refer to note 25

Financial Instruments Disclosure

Trade and other exchange payables of R 173 027 647 disclosed last year included included employee costs which are accrued leave pay and accrued bonus which are not financial instruments. They have been removed from trade and other payables disclosed as financial instruments .

Receivables impairment have been included as part of analysis of financial instruments related in the statement of financial performance, previously they had been ommitted in error. Refer to note 42

Risk management

The amounts disclosed as payables from exchange transactions under this section excludes employee costs like accrued leave pay and accrued bonus which are not financial instruments as defined by GRAP. We previously disclosed payables from exchange transactions which was done in error.

Receivables from non-exchange transactions which were previously included as financial assets were excluded since they are Statutory receivables which are excluded from financial instruments by GRAP. Refer to note 43

Cashflow interest rate risk

Financial assets which consist of bank balances and short term deposits were included in this section and a sensitivity analysis on income was also included. This was previously not included under this section. Refer to note 43

Segment Information

The section "Other" has been renamed to Unallocated

The Statement of Financial Position has been disclosed in this section. We did not disclose this Statement of Financial Position as part of Segment information since it is not practical to group the Municipality into segments. We have disclosed the whole Statement of Financial Position under other "Unallocated" segment.

The prior year Statement of Financial Performance has been restated to reflect the movements in restatements made in the prior year Statement of Financial Performance, Refer to note 49

Inventory

We removed the water inventory component which consist ofMagalies Maintenance costs of R 5 625 356 which was added in error to the cost of inventory consumed. Refer to note 10

Notes to the Annual Financial Statements

41. Prior-year adjustments (continued)

Other Presentation and Classification errors

Fines, Penalties and Forfeits

Fines ,penalties and Forfeits under Revenue from non- exchange have been renamed licence and permits and classified as revenue from exchange since it relates to the issue of licence discs to motorist which is done on behalf of the Department of Traffic. Note 22 which is the disclosure of the revenue has also been changed from Traffic Fines and Penalties to Licence and permits.

The receivables component of the licence and permits on note 11and note 13 have been renamed from Debtors on Fine collections to Debtors on Licence and Permits

Expense Line Item	As previously reported	Correction of error	Change in accounting policy	Re-classification	Total
Auditors remuneration	5 858 506	-	-	-	5 858 506
Bank charges	186 090	-	-	-	186 090
Skills Development Fund Levy	1 326 641	-	-	-	1 326 641
Travel and subsistence	2 249 418	-	-	-	2 249 418
Operating Lease	976 369	-	-	-	976 369
Entertainment	2 469 382	-	-	3 500 685	5 970 067
Fines and penalties	447 089	-	-	-	447 089
Catering	53 306	-	-	-	53 306
Insurance	4 016 434	-	-	-	4 016 434
It expenses	33 370	-	-	-	33 370
Promotions and sponsorships	318 985	-	-	-	318 985
Magazines, books and periodicals	233 846	-	-	-	233 846
Fuel and oil	3 917 183	-	-	-	3 917 183
Postage and courier	1 600	-	-	-	1 600
Repairs and maintenance	2 823 803	-	-	(2 823 803)	-
Royalties and license fees	111 904	-	-	-	111 904
Subscriptions and membership fees	2 088 208	-	-	-	2 088 208
Telephone and fax	4 433 970	-	-	-	4 433 970
Travel -Local	4 913 762	-	-	-	4 913 762
Utilities	17 268 181	-	-	(3 474 185)	13 793 996
Indigent relief	7 647 538	-	-	-	7 647 538
Stipends	5 715 093	-	-	2 439 608	8 154 701
Other expenses	9 831 028	-	-	(5 555 324)	4 275 704
	76 921 706	**-**	**-**	**(5 913 019)**	**71 008 687**

Explanations

1) An amount of R 2 823803,06 was remapped from Repairs and Maintenance to Contracted services

2) An amount of R 3 474 185,11 was remapped from Utilities to Entertainment

3) An amount of R 1 999 287 was remapped from Stipends to Contracted Services

4) An amount of R 4 438 895,26 was remapped from other expenses to Stipends

5) An amount of R 1 488 458,64 was remapped from other expenses to Contracted servicesAdditional text

6) An amount of R 26 500 was remapped from Other expenses to Entertainment

7) An amount of R 398 529,72 was remapped from other expenses to Government grants and Subsidies

8) A total amount of R 5 913 019 was remapped to General Expenses with R 6 311 548,70 being to Contracted Services and an amount of R 398 529,72 being mapped to Government Grants and Subsidies

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	37 439 755	37 439 755
Cash and cash equivalents	285 828 111	285 828 111
	323 267 866	**323 267 866**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	132 725 954	132 725 954

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	34 541 602	34 541 602
Cash and cash equivalents	271 718 311	271 718 311
	306 259 913	**306 259 913**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	156 131 173	156 131 173

Analysis of Financial instrument related amounts in Statement of financial performance

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	44 985 635	44 985 635
Receivables impairment for the year	(81 228 565)	(81 228 565)
Impairment loss (Debt write-offs)	(9 668 750)	(9 668 750)
	(45 911 680)	**(45 911 680)**

2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	33 100 609	33 100 609
Receivables impairment for the year	(101 994 359)	(101 994 359)
Impairment loss (Debt write-offs)	(4 477 719)	(4 477 719)
	(73 371 469)	**(73 371 469)**

42. Financial instruments disclosure (continued)

43. Risk management

Financial risk management

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

Liquidity risk

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

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

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.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	132 725 954	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	156 131 173	-	-	-

43. Risk management (continued)

Credit risk

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based by managment.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. In spite of the measures applied to mitigate investment risks the municipality was significantly exposed for the 2023/24 financial year after investing in a mutual bank. The municipality has reviewed its investment policy in the aim of improving its internal controls.

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

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due not impaired) by only dealing with ABSA Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "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. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position , without taking into account the value of any collateral obtained.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

43. Risk management (continued)

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

Financial instrument	2024	2023
Receivables from exchange transactions	37 439 755	34 541 602
Cash and cash equivalents	285 828 111	271 718 311

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with the financial instruments will fluctuate in amount as a result of market interest charges.

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality will exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made. In the 2017/18 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "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. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 2023/24 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

Cash flow interest rate risk

Financial assets 2024	
Bank balances	8 856 808
Short-term deposits	276 968 939
	285 825 747

Financial assets 2023	
Bank balances	198 639 815
Short-term deposits	73 078 504
	271 718 319

Interest rate sensitivity on income	**2024**	**2023**
Interest rate increase of 1%	2 858 257	2 717 183
Interest rate decrease of 1%	(2 858 257)	(2 717 183)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Unauthorised expenditure

Opening balance as previously reported	709 529 319	709 529 319
Add: Unauthorised expenditure Identified - current	96 240 572	119 299 528
Less: Amount recovered - current	-	(119 299 528)
Closing balance	**805 769 891**	**709 529 319**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	18 908 691	17 102 644
Add: Fruitless and wasteful expenditure identified - current	1 253 365	1 806 047
Closing balance	**20 162 056**	**18 908 691**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

45. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2024	2023
Interest charged by Eskom		7 287	24 576
SARS interest and penalties		763 818	463 548
Interest on overdue account - Magalies		472 502	1 172 933
Overdue charge - Auditor General		9 758	2 738
315 licences for Antivirus Software were renewed at the cost of R 583 per license. Based on the Antivirus screen shot received only 71 of these licences were in use.		-	142 252
		1 253 365	**1 806 047**

46. Irregular expenditure

	2024	2023
Opening balance as previously reported	955 325 166	932 988 155
Add: Irregular expenditure - current	10 127 527	12 164 920
Add: Irregular expenditure - prior period	-	10 172 091
Closing balance	**965 452 693**	**955 325 166**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Irregular expenditure (continued)

Incident	Disciplinary steps taken/criminal proceedings		
Tax non-compliant on CSD report	Consequence management not followed	4 825 284	8 024 823
Declaration of interest incomplete	Consequence management not followed	3 817 243	4 140 000
Predetermined requirements not met	Consequence management not followed	1 485 000	1 123 309
Bid Adjudication Quorum not met	Consequence management not followed	-	7 410 634
Preferential procurement - 16 January 2023 notapplied on Quotations below R30,000.	Consequence management not followed	-	1 638 245
		10 127 527	**22 337 011**

Cases assessed by the accounting officer

Municipal Supply Chain Management Policies/ regulations	10 127 527	22 337 011

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 007 612	-
Current year subscription / fee	-	2 007 612
Amount paid - current year	(2 007 612)	-
	-	**2 007 612**

Audit fees

Current year subscription / fee	5 686 056	5 860 648
Amount paid - current year	(5 686 056)	(5 860 648)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

PAYE and UIF

Current year subscription / fee	31 236 658	27 191 852
Amount paid - current year	(32 031 426)	(32 673 120)
	(794 768)	**(5 481 268)**

Pension and Medical Aid Deductions

Current year subscription / fee	15 338 818	13 834 468
Amount paid - current year	(15 338 818)	(13 834 468)
	-	-

Councillors' arrear consumer accounts

There were two councillors in arrears on their accounts for more than 90 days as listed below.

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SEKHAOLELA L MS	3 444	3 173	6 617
MASHELE SL MR	462	10 191	10 653
	3 906	**13 364**	**17 270**

30 June 2024	**Gross Debtors**	**Calculated Impairment**	**Total**
SEKHAOLELA L MS	17 156	(16 597)	559
MASHELE SL MR	8 706	(7 046)	1 660
	25 862	**(23 643)**	**2 219**

The municipality provided water and refuse collection services to the councillors above. The outstanding amounts also included property rates levied.

There was no councillors who had arrears as at 30 June 2023.

VAT

VAT payable	28 860 221	12 951 997

VAT output payables and VAT input receivables are shown in note 18.

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

Figures in Rand	2024	2023

48. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations..

Incident		
Emergency	358 428	541 812
Sole supplier	871 760	339 484
Impractical or impossible	368 347	209 831
	1 598 535	**1 091 127**

49. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional areas:Community and Social Services,Energy Sources,Road Transport, Sport and Recreation,Waste Water Management, Water Management and other which consists of executive and council, municipal manager, budget and treasury office, human resources and corporate services, infrastructure development services, community development services and local and economic development.. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in the North-West Province within Moretele Local Municipality jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Moretele Local Municipality were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
Revenue								
Service charges	-	-	-	-	28 538 119	39 214 848	-	67 752 967
Rendering of services	-	-	-	-	-	5 765	639	6 404
Rental of facilities and equipment	-	-	-	-	-	-	178 351	178 351
Licence and permits	-	-	747 638	-	-	-	-	747 638
Sale of goods	-	-	-	-	-	19 577	471 034	490 611
Operating income	-	-	-	149	-	-	106 074	106 223
Interest received	-	-	-	-	5 468 662	7 824 902	35 067 350	48 360 914
Actuarial Gains	-	-	-	-	-	-	35 605	35 605
Property rates	-	-	-	-	-	-	29 970 318	29 970 318
Government Grants and Subsidies	1 036 000	-	-	-	-	32 713 000	566 556 758	600 305 758
Total segment revenue	**1 036 000**	**-**	**747 638**	**149**	**34 006 781**	**79 778 092**	**632 386 129**	**747 954 789**
Entity's revenue								**747 954 789**

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
Expenditure								
Employee related costs	15 803 985	-	10 230 471	3 212 240	-	3 314 502	124 957 355	157 518 553
Remuneration of councillors	-	-	-	-	-	-	23 256 346	23 256 346
Depreciation and amortisation	-	-	-	-	-	62 030 025	-	62 030 025
Impairment loss	-	-	-	-	-	153 664 515	-	153 664 515
Finance costs	-	-	-	-	-	-	493 088	493 088
Bad debts written off	-	-	-	-	-	9 668 749	-	9 668 749
Bulk purchases	-	-	-	-	-	49 060 126	-	49 060 126
Contracted services	-	3 348 186	193 912	3 060	-	19 465 176	153 323 688	176 334 022
Fair value adjustments	-	-	-	-	-	-	9 672 506	9 672 506
Loss on disposal of assets and liabilities	-	-	-	-	-	-	15 701 421	15 701 421
Public toilets distributed	-	-	-	-	13 073 520	-	-	13 073 520
Inventory Consumed	247 113	-	-	-	-	223 920	1 443 618	1 914 651
General Expenses	1 828 973	14 049 184	1 317 554	775 865	2 988 747	4 055 235	52 731 245	77 746 803
Total segment expenditure	**17 880 071**	**17 397 370**	**11 741 937**	**3 991 165**	**16 062 267**	**301 482 248**	**381 579 267**	**750 134 325**
Total segmental surplus/(deficit)	**(16 844 071)**	**(17 397 370)**	**(10 994 299)**	**(3 991 016)**	**17 944 514**	**(221 704 156)**	**250 806 862**	**(2 179 536)**
Assets								
Inventories	-	-	-	-	-	-	132 027	132 027
Operating lease asset	-	-	-	-	-	-	65 529	65 529
Receivables from exchange transactions	-	-	-	-	-	-	37 439 755	37 439 755
Receivables from non-exchange transactions	-	-	-	-	-	-	44 816 427	44 816 427
Prepayments	-	-	-	-	-	-	550 000	550 000
Cash and cash equivalents	-	-	-	-	-	-	285 828 111	285 828 111
Investment property	-	-	-	-	-	-	10 895 550	10 895 550
Property, plant and equipment	-	-	-	-	-	-	1 534 548 877	1 534 548 877
Intangible assets	-	-	-	-	-	-	25 131	25 131
Heritage assets	-	-	-	-	-	-	206 303	206 303
Total segment assets	**-**	**-**	**-**	**-**	**-**	**-**	**1 914 507 710**	**1 914 507 710**

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
49. Segment information (continued)								
Total assets as per Statement of financial Position								**1 914 507 710**
Liabilities								
Payables from exchange transactions	-	-	-	-	-	-	(153 900 195)	(153 900 195)
Unallocated Deposits	-	-	-	-	-	-	(594 814)	(594 814)
VAT payable	-	-	-	-	-	-	(28 860 221)	(28 860 221)
Employee benefit obligation	-	-	-	-	-	-	(8 770 239)	(8 770 239)
Unspent conditional grants and receipts	-	-	-	-	-	-	(9 129 169)	(9 129 169)
Total segment liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(201 254 638)**	**(201 254 638)**
Total liabilities as per Statement of financial Position								**(201 254 638)**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2023

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Unallocated	Total

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

Revenue								
Service charges	-	-	-	-	-	63 840 019	-	63 840 019
Rendering of services	-	-	-	-	-	7 217	716	7 933
Rental of facilities and equipment	-	-	-	-	-	-	172 730	172 730
Licence and permits	-	-	650 291	-	-	-	-	650 291
Sale of goods	-	-	-	-	-	39 247	666 207	705 454
Fair value adjustment	-	-	-	-	-	-	16 278 807	16 278 807
Operating income	-	-	-	2 110	-	-	84 532	86 642
Interest received	-	-	-	-	-	-	36 564 348	36 564 348
Actuarial Gains	-	-	-	-	-	-	213 000	213 000
Property rates	-	-	-	-	-	-	29 779 147	29 779 147
Government Grants and Subsidies	1 190 955	-	-	115 408	-	66 997 999	550 235 764	618 540 126
Total segment revenue	**1 190 955**	**-**	**650 291**	**117 518**	**-**	**130 884 482**	**633 995 251**	**766 838 497**
Entity's revenue								**766 838 497**
Expenditure								
Employee related costs	15 306 471	-	10 091 373	3 255 516	-	2 659 558	113 055 466	144 368 384
Remuneration of councillors	-	-	-	-	-	-	21 555 866	21 555 866
Depreciation and amortisation	-	-	-	-	-	61 280 064	-	61 280 064
Impairment loss	-	-	-	-	-	106 613 296	-	106 613 296
Finance costs	-	-	-	-	-	-	1 216 706	1 216 706
Bad debts written off	-	-	-	-	-	4 477 719	-	4 477 719
Bulk purchases	-	-	-	-	-	59 347 514	-	59 347 514
Contracted services	-	848 581	68 358	-	-	21 813 426	134 067 754	156 798 119
Loss on disposal of assets	-	-	-	-	-	-	14 317 604	14 317 604
Fair value adjustments	-	-	-	-	-	-	12 689 544	12 689 544
Public toilets distributed	-	-	-	-	34 005 791	-	-	34 005 791
Inventory Consumed	22 000	-	-	115 408	-	102 195	1 064 006	1 303 609
General Expenses	2 980 918	13 432 874	1 344 786	216 653	-	7 128 238	45 905 219	71 008 688
Total segment expenditure	**18 309 389**	**14 281 455**	**11 504 517**	**3 587 577**	**34 005 791**	**263 422 010**	**343 872 165**	**688 982 904**
Total segmental surplus/(deficit)	**(17 118 434)**	**(14 281 455)**	**(10 854 226)**	**(3 470 059)**	**(34 005 791)**	**(132 537 528)**	**290 123 086**	**77 855 593**

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Unallocated	Total
Assets								
Inventories	-	-	-	-	-	-	222 792	222 792
Operating lease asset	-	-	-	-	-	-	49 913	49 913
Receivables from exchange transactions	-	-	-	-	-	-	34 541 602	34 541 602
Receivables from non-exchange transactions	-	-	-	-	-	-	43 426 116	43 426 116
Prepayments	-	-	-	-	-	-	478 261	478 261
Cash and cash equivalents	-	-	-	-	-	-	271 718 311	271 718 311
Investment property	-	-	-	-	-	-	20 568 056	20 568 056
Property, plant and equipment	-	-	-	-	-	-	1 541 319 855	1 541 319 855
Intangible assets	-	-	-	-	-	-	80 209	80 209
Heritage assets	-	-	-	-	-	-	206 303	206 303
Total segment assets	**-**	**-**	**-**	**-**	**-**	**-**	**1 912 611 418**	**1 912 611 418**
Total assets as per Statement of financial Position								**1 912 611 418**
Liabilities								
Payables from exchange transactions	-	-	-	-	-	-	(175 229 889)	(175 229 889)
Unallocated Deposits	-	-	-	-	-	-	(502 126)	(502 126)
VAT payable	-	-	-	-	-	-	(12 951 997)	(12 951 997)
Employee benefit obligation	-	-	-	-	-	-	(7 596 000)	(7 596 000)
Unspent conditional grants and receipts	-	-	-	-	-	-	(864 974)	(864 974)
Total segment liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(197 144 986)**	**(197 144 986)**
Total liabilities as per Statement of financial Position								**(197 144 986)**

50. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	2024	2023

50. Budget differences (continued)

It is general practise to deem a deviation of more than 10% on operational revenue and expenditure versus the final budget as material.

REVENUE

Service charges - Service Charges Billing projections for service charges are realistic with a variance of 6% when compared to the billing.

Rental of facilities and equipment -Rental budget was projected basic on previous year actuals but the demand for Rental was more after the adjustment budget.

Licences and permits - Fines and penalties - Budget was based on the previous years actuals, however this income is dependent on people who come to pay for car licenses and permit

Other income -Other Income- This is from sale of Tender documents, there for it depends on the demand of tenderes. It is unpredictable

Interest received - investment -The variance is due consective interest rate hikes after the budget budget processes.

Interest Received -Receivables - Interest on outstanding debtors projections are not realistic, the budget is lower than the actual.

Property rates - Property rates billing reflects over performance against the budget, the varince is due to revenue foregone.

Interest - Taxation revenue -Immateial variance

Government grants & subsidies - Dependant on the government allocation

Fines, Penalties and Forfeits - DLTC services not fully functional.

EXPENDITURE

Personnel - Employee cost- Reflects favourable variance of 9% , this is due to vacant posts that where not filled.

Remuneration of councillors - It is within acceptible range

Depreciation and amortisation - Depreciation and Assets Impairment-This is due to impairment of old WIP projects on Immovabless, it has never been done before

Inventory Consumed - Inventory consumed reflects unfavaourable variance of 12%, high overspending is on Fuel which the municipality does not have control over price increases on fuel.

Finance costs - Not budgeted.

Debt Impairment - Debt Impairment-This reflects a decrease in collection rate compared to the budgeted

Bulk purchases - Immaterial variances

Contracted Services - Contracted services peformance reflects 99% of the projected amount.

General Expenses - General expenditure peformance reflects 95% of the projections , the variance of 5% is acceptable.

STATEMENT OF FINANCIAL POSITION

It is general practise that a deviation of more than 10% on both actual figures for assets and liabilities versus the final budget as material.

Current Assets

50. Budget differences (continued)

Inventories - Inventories- the increase is due to the reassessment of fixed assets which led to some assets which need to be disposed in the coming financial year, which means they were transfred to inventories for disposal purposes.

Operating lease asset - This is due to new lease swhich were signed from Vodacom,GCIS and Others

Receivables from exchange transactions - Movement is within the acceptible range

Receivables from non-exchange transactions - This figure is made of Fines/Penalties and Property rates debtors- the amount was not sufficiently budgeted for

Prepayments - This is amount was not budgeted for.

VAT receivable - There was a VAT payable in the current period instead of VAT receivable

Cash and cash equivalents - Movement is within acceptible range

Non-Current Assets

Investment property - Change was due to revaluations done by the Municipality

Property, plant and equipment - The difference due to the extensive assets Conditional reassemment that was conducted

Intangible assets - Intangible assets-An extensive re- assessment on intagibles assessment was conducted and the bigger portion of intagibles was derecognised as the control of the softwares liased with the service provider not the municipality- Only Website development is remaining.

Heritage assets - No movement

Current Liabilities

Payables from exchange transactions - Unallocated deposites have been reduced with 31% , this due to prior year deposits being allocated

Payables from non-exchange transactions - Unallocated deposites have been reduced with 31% , this due to prior year deposits being allocated

Employee benefit obligation - Employee benefit Obligation-This is due to Actuarial workings that were not used when budgeting. It is cost effective to only use actuarial at the end of the year.

Unspent conditional grants and receipts - his is from MIG Schedule B Mmakaunyane Water project which had delays due to technical issues encountered on the ground.

CASHFLOW STATEMENT

It is general practise that a deviation of more than 10% on actual figures for all cash items versus the final budget as material

Cash flows from operating activities

Receipts

Sale of goods and services - We received less money than budgeted from our service charges and goods sold mainly due to the tough economic conditions being daced by the consumers.

Grants - We received less than budgeted due to roll over amounts that were denied.

Interest income - Other income is made of Rentals, purchase of water through Tankers, sale of tender document, rental facilities,Traffic Fines/penalties and other. These totally depends on customer demands, as it is unpredictable.

Notes to the Annual Financial Statements

50. Budget differences (continued)

Other receipts -We collected less money than budgeted from other income like sale of goods operating income and other income

Payments

Suppliers and Employee costs - We paid less than budgeted for due to vacant posts that where not filled

Finance costs - We paid less interest on outstanding debtors than budgeted due to improved creditors management.

Cash flows from investing activities

Purchase of property, plant and equipment - Purchase of PPE- included in the budget amount is VAT, Retention amount and unspent Grants.

51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.The Municipality's operations are substantially funded by government and at the time of concluding the financial statements, the government had not announced any intention to cease funding the Municipality.

52. Events after the reporting date

There are no significant events after the reporting date.