



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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Nature of business and principal activities

Provision of municipal services to communities within the Ratlou constituency

Mayoral committee

Executive Mayor

Speaker

Chief whip

Cllr R Matlhomola Jafta

Cllr Gloria K. Leepo

Cllr Leonard Soka

Cllr Thabo Motlapelle (Infrastructure and Technical service)

Cllr Thabang Mothibedi (Finance and Corporate)

Cllr Pontsho Mafethe (Town Planning Services)

Cllr C Sebolai (Finance and Corporate)

Cllr Steven Motone (Community Services)

Cllr Douglas Gaasenwe (Infrastructure and Technical service)

Councillors

Cllr Godsend Mokgope (Chairperson: MPAC)

Cllr Maria Badirwang (Deceased)

Cllr Daniel Sejamoholo

Cllr Nxamo Radebe

Cllr Mhletjwa Nqume

Cllr Abel Pheho

Cllr Irene Tladi

Cllr David Seitshiro

Cllr Pule Shawe

Cllr Gomotsegang Mogapi

Cllr Baile Mosepele

Cllr Tshepiso Dipheko

Cllr Valencia Jantjies

Cllr Anna Masilo

Cllr Matahleho Dala

Cllr Rapita Tshabang

Cllr Kerotse Sechele

Cllr Priscilla Letebele

Cllr Minah Bhyan

Grading of local authority

Grade 1

Accounting Officer

Mr. Lloyd Leoko

Chief Finance Officer (CFO)

Ms Onalenna Malema

Registered office

Delareyville Road, Next to Setlagole Library
Setlagole
2772

Postal address

Private Bag X209
Madibogo
2772

Auditors

Auditor General of South Africa
Registered Auditors

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is 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 set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed by:

Mr. Lloyd Leoko
Accounting Officer

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services to communities within the Ratlou constituency and operates in South Africa.

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

Net deficit of the municipality was R 28 360 330 (2023: deficit R 41 071 881).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 399 009 962 and that the municipality's total assets exceed its liabilities by R 399 009 962.

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 will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 5 of 2023).

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Changes
Dr. Aucharlie Mothupi (Acting)	Contract ended 30 September 2023
Mr. Lloyd Leoko	Appointed 01 October 2023

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and risk committee

The Audit Committee has complied with the responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

7. Auditors

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed by:

Mr. Lloyd Leoko
Accounting Officer

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	9	408 426	305 608
Receivables from exchange transactions	10	8 676 990	7 239 972
Receivables from non-exchange transactions	11	88 402	239 104
VAT receivable	12	10 362 663	7 080 876
Cash and cash equivalents	14	52 875 318	92 800 784
		72 411 799	107 666 344
Non-Current Assets			
Investment property	3	3 800 000	4 000 000
Property, plant and equipment	4	366 040 756	327 692 402
Intangible assets	5	362 176	193 281
		370 202 932	331 885 683
Total Assets		442 614 731	439 552 027
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	31 644 264	36 561 523
Consumer deposits	7	63 922	32 339
Employee benefit obligation	8	518 606	299 038
Unspent conditional grants and receipts	15	3 255 720	23 237 611
		35 482 512	60 130 511
Non-Current Liabilities			
Employee benefit obligation	8	6 170 036	5 447 882
Provisions	16	1 952 221	1 818 094
		8 122 257	7 265 976
Total Liabilities		43 604 769	67 396 487
Net Assets		399 009 962	372 155 540
Accumulated surplus		399 009 962	372 155 540
Total Net Assets		399 009 962	372 155 540

* See Note 46

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	431 989	398 710
Rental of facilities and equipment	19	1 810 427	1 660 290
Agency services	21	950 762	883 470
Licences and permits	22	55 689	-
Impairments loss reversal	33	9 140 869	-
Other income	25	460 819	1 011 682
Interest received - investment	26	8 053 016	5 964 128
Gain on disposal of assets and liabilities		1 781 177	-
Fair value adjustments		-	640 103
Total revenue from exchange transactions		22 684 748	10 558 383
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	33 140 630	26 951 833
Interest received on property rates	23	8 937 815	9 508 639
Transfer revenue			
Government grants & subsidies	28	216 840 531	167 099 345
Public contributions and donations	29	-	88 500
Fines, Penalties and Forfeits	20	227 700	178 800
Total revenue from non-exchange transactions		259 146 676	203 827 117
Total revenue	17	281 831 424	214 385 500
Expenditure			
Employee related costs	30	(95 086 126)	(91 236 823)
Remuneration of councillors	31	(12 347 404)	(12 218 035)
Depreciation and amortisation	32	(30 300 703)	(29 994 023)
Impairments	33	(2 187 859)	(16 735 960)
Finance costs	34	(909 410)	(974 126)
Debt Impairment	36	(15 544 930)	(13 831 836)
Contracted services	38	(13 807 124)	(13 537 640)
Loss on disposal of assets and liabilities		-	(3 190 059)
Fair value adjustments	41	(104 683)	-
General Expenses	37	(83 262 309)	(74 474 498)
Total expenditure		(253 550 548)	(256 193 000)
Surplus (deficit) for the year from continuing operations		28 280 876	(41 807 500)
Actuarial gain/loss		79 454	735 619
Surplus (deficit) for the year		28 360 330	(41 071 881)

* See Note 46

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	435 176 441	435 176 441
Adjustments		
Prior year adjustments 46	(21 949 020)	(21 949 020)
Balance at 01 July 2022 as restated*	413 227 421	413 227 421
Changes in net assets		
Surplus for the year	(41 071 881)	(41 071 881)
Total changes	(41 071 881)	(41 071 881)
Restated* Balance at 01 July 2023	370 649 632	370 649 632
Changes in net assets		
Deficit for the year	28 360 330	28 360 330
Total changes	28 360 330	28 360 330
Balance at 30 June 2024	399 009 962	399 009 962
Note(s)		

* See Note 46

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		28 806 183	16 763 939
Grants		197 237 041	193 654 884
Interest income		252 119	123 075
		226 295 343	210 541 898
Payments			
Employee costs		(106 412 354)	(102 585 385)
Suppliers		(106 074 670)	(81 458 851)
Finance costs		(909 410)	(974 126)
		(213 396 434)	(185 018 362)
Net cash flows from operating activities	39	12 898 909	25 523 536
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(60 551 694)	(13 592 858)
Purchase of investment property	3	95 317	640 103
Purchase of other intangible assets	5	(168 895)	177 569
Interest Income		7 800 897	5 841 053
Net cash flows from investing activities		(52 824 375)	(6 934 133)
Net increase/(decrease) in cash and cash equivalents		(39 925 466)	18 589 403
Cash and cash equivalents at the beginning of the year		92 800 784	74 211 381
Cash and cash equivalents at the end of the year	14	52 875 318	92 800 784

The accounting policies on pages 12 to 44 and the notes on pages 45 to 94 form an integral part of the annual financial statements.

* See Note 46

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	513 924	(100 000)	413 924	431 989	18 065	55.1
Rental of facilities and equipment	1 553 640	280 000	1 833 640	1 810 427	(23 213)	55.2
Agency services	1 144 452	(100 000)	1 044 452	950 762	(93 690)	55.3
Licences and permits	-	20 000	20 000	55 689	35 689	55.4
Impairments loss reversal	-	-	-	9 140 869	9 140 869	55.5
Other income	444 996	-	444 996	460 819	15 823	55.6
Interest received - investment	4 599 996	3 500 000	8 099 996	8 053 016	(46 980)	55.7
Gains on disposal of assets	-	-	-	1 781 177	1 781 177	
Total revenue from exchange transactions	8 257 008	3 600 000	11 857 008	22 684 748	10 827 740	

Revenue from non-exchange transactions

Taxation revenue

Property rates	28 700 004	4 317 481	33 017 485	33 140 630	123 145	55.8
Interest received on property rates	6 522 300	-	6 522 300	8 937 815	2 415 515	55.9

Transfer revenue

Government grants & subsidies	166 471 008	(741 000)	165 730 008	216 840 531	51 110 523	55.10
Fines, Penalties and Forfeits	279 936	-	279 936	227 700	(52 236)	55.11
Total revenue from non-exchange transactions	201 973 248	3 576 481	205 549 729	259 146 676	53 596 947	

Total revenue	210 230 256	7 176 481	217 406 737	281 831 424	64 424 687	
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Expenditure

Employee related costs	(105 781 314)	12 011 319	(93 769 995)	(95 086 126)	(1 316 131)	55.12
Remuneration of councillors	(12 400 464)	33 684	(12 366 780)	(12 347 404)	19 376	55.13
Depreciation and amortisation	(33 000 000)	2 188 000	(30 812 000)	(30 300 703)	511 297	55.14
Impairment loss/ Reversal of impairments	-	(2 188 000)	(2 188 000)	(2 187 859)	141	
Finance costs	(360 000)	(351 800)	(711 800)	(909 410)	(197 610)	55.15
Debt Impairment	(6 000 000)	-	(6 000 000)	(15 544 930)	(9 544 930)	55.16
Contracted Services	(30 657 908)	(19 464 587)	(50 122 495)	(13 807 124)	36 315 371	55.17
General Expenses	(47 052 744)	(4 831 415)	(51 884 159)	(83 262 309)	(31 378 150)	55.18
Inventory consumed	(1 427 004)	617 004	(810 000)	-	810 000	55.19
Total expenditure	(236 679 434)	(11 985 795)	(248 665 229)	(253 445 865)	(4 780 636)	

Operating surplus	(26 449 178)	(4 809 314)	(31 258 492)	28 385 559	59 644 051	
Fair value adjustments	-	-	-	(104 683)	(104 683)	

Surplus/(Deficit) before taxation	(26 449 178)	(4 809 314)	(31 258 492)	28 280 876	59 539 368	
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Surplus for the year from continuing operations	(26 449 178)	(4 809 314)	(31 258 492)	28 280 876	59 539 368	
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Discontinued operations	-	-	-	79 454	79 454	
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Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(26 449 178)	(4 809 314)	(31 258 492)	28 360 330	59 618 822	

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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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.

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.

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. Management is continuously assessing any indicators of negative impact.

1.3 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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

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. Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network 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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 55.

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.

1.5 Investment property

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

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

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

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

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

- Managements intended use for the property
- The nature of activities conducted at the property, if any

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	40 years
Buildings	Straight-line	4 - 41 years
Motor vehicles	Straight-line	6 - 16 years
Office equipment	Straight-line	4 - 11 years
IT equipment	Straight-line	4 - 11 years
Infrastructure	Straight-line	4 - 41 years
Community	Straight-line	4 - 31 years
Other property, plant and equipment	Straight-line	4 - 11 years
Bins and containers	Straight-line	4 - 6 years
Landfill site	Straight-line	40 years

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

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

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

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

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

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Ratlou Local Municipality

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Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Intangible	Straight-line	9 - 11 years

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

1.9 Financial instruments

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

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.

Accounting Policies

1.9 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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.

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Accounting Policies

1.9 Financial instruments (continued)

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.

Classification

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

Class

Operating lease asset
Receivables from exchange transactions
Receivables from non-exchange transactions
VAT receivable
Consumer debtors
Cash and cash equivalents

Category

Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at fair value

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

Class

Payables from exchange transactions
Consumer deposits
Unspent conditional grants and receipts
Employee benefit obligation

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at fair value

Ratlou Local Municipality

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Accounting Policies

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

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:

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Accounting Policies

1.10 Statutory receivables (continued)

- 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, a 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.

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

1.11 Leases

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

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

Finance leases - lessor

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

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

Ratlou Local Municipality

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Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Ratlou Local Municipality

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Accounting Policies

1.12 Inventories (continued)

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

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Ratlou Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

Identification

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

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

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

Value in use

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

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

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.

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Accounting Policies

1.14 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

1.14 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.

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Ratlou Local Municipality

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Accounting Policies

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

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

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

Useful life is either:

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

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

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

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:

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 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 municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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.

1.16 Employee benefits

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

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

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

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

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

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

Ratlou Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 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 entity 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.

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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

1.17 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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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;

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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. This applies under both the cost model and the revaluation model.

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 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.

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

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

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

Gifts and donations, including goods in-kind

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

Services in-kind

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 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 a 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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Accounting by principals and agents (continued)

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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 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.

1.27 Irregular expenditure

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

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

1.28 Segment information

A segment is an activity of an entity:

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

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

1.29 Budget information

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

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Budget information (continued)

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

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

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

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the is not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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	3 800 000	-	3 800 000	4 000 000	-	4 000 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	4 000 000	(200 000)	3 800 000

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	4 000 000	4 000 000

Pledged as security

No investment property was pledged as security by the municipality.

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.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Investment property (continued)		
Details of valuation		
<p>The effective date of the revaluations was 30 June 2024. Revaluations were performed by an independent valuers, Mr Macdonald Modibedi (Registration number: 7914) and Mr Phemelo Khuduga (Registration number: 7914), of Kut PalProperties & Projects. Mr Modibedi and Mr Khuduga are not connected to the municipality and have recent experience in location and category of the investment property being valued.</p> <p>The valuation was based on open market value for existing use and the South African property valuers association's standard method of valuation.</p> <p>These assumptions are based on current market conditions. The investment property relate to Setlagole Complex. These assumptions are based on current market conditions. Amounts recognised in surplus and deficit for the year.</p> <p>Amounts recognised in surplus and deficit for the year.</p>		
Rental revenue from investment property	1 790 657	1 649 370

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Buildings	71 009 736	(36 714 923)	34 294 813	71 143 633	(36 178 154)	34 965 479
Furniture and fixtures	4 949 910	(2 903 932)	2 045 978	2 806 920	(1 816 249)	990 671
Motor vehicles	33 561 824	(9 007 864)	24 553 960	26 841 971	(5 880 310)	20 961 661
Office equipment	2 415 176	(1 287 361)	1 127 815	2 361 906	(843 466)	1 518 440
IT equipment	13 427 646	(5 529 387)	7 898 259	9 212 346	(5 644 828)	3 567 518
Infrastructure	250 117 995	(97 198 097)	152 919 898	234 966 504	(83 259 913)	151 706 591
Community facilities	151 917 336	(66 163 010)	85 754 326	145 378 720	(60 485 000)	84 893 720
Other property, plant and equipment	1 563 552	(1 059 578)	503 974	998 011	(722 160)	275 851
Bins and containers	41 189	(34 713)	6 476	24 449	(18 839)	5 610
Work in progress	61 002 422	(4 071 643)	56 930 779	34 341 167	(5 538 867)	28 802 300
Emergency assets	44 772	(40 294)	4 478	32 896	(28 335)	4 561
Total	590 051 558	(224 010 802)	366 040 756	528 108 523	(200 416 121)	327 692 402

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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	Write-off at carrying value	Reversal of write-downs at carrying value	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	34 965 479	-	-	-	(88 700)	80 159	(2 506 573)	(162 134)	2 006 582	34 294 813
Furniture and fixtures	990 671	756 136	-	-	(2 114)	667 457	(365 275)	(1 195)	298	2 045 978
Motor vehicles	20 961 661	4 314 655	(64 165)	-	-	1 195 384	(2 263 271)	-	409 696	24 553 960
Office equipment	1 518 440	38 850	-	-	(11 340)	34 633	(452 010)	(758)	-	1 127 815
IT equipment	3 567 518	7 457 344	(74 931)	-	(1 628 419)	626 252	(2 052 149)	-	2 644	7 898 259
Infrastructure	151 706 591	-	-	15 012 940	(639 336)	452 909	(17 108 000)	(639 139)	4 133 933	152 919 898
Community facilities	84 893 720	-	-	6 334 096	(122 706)	277 451	(5 361 084)	(1 092 413)	825 262	85 754 326
Other property, plant and equipment	275 851	221 000	-	-	(4 901)	162 286	(153 273)	(145)	3 156	503 974
Bins and containers	5 610	-	-	-	(449)	6 712	(5 397)	-	-	6 476
Work in progress	28 802 300	48 008 292	-	(21 347 036)	-	-	-	(292 075)	1 759 298	56 930 779
Emergency assets	4 561	-	-	-	(1)	3 833	(3 915)	-	-	4 478
	327 692 402	60 796 277	(139 096)	-	(2 497 966)	3 507 076	(30 270 947)	(2 187 859)	9 140 869	366 040 756

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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	Write-down at carrying value	Reversal of write-downs at carrying value	Depreciation	Impairment loss	Total
Buildings	40 961 611	-	(129 862)	-	(2 841 549)	(3 024 721)	34 965 479
Furniture and fixtures	1 576 686	26 870	(530 507)	112 033	(193 544)	(867)	990 671
Motor vehicles	21 629 742	2 363 624	(770 350)	-	(1 819 721)	(441 634)	20 961 661
Office equipment	1 797 554	131 119	(23 469)	21 513	(408 277)	-	1 518 440
IT equipment	4 376 857	445 762	(361 347)	377 711	(1 263 402)	(8 063)	3 567 518
Infrastructure	172 250 903	2 458 021	(889 082)	-	(17 978 651)	(4 134 600)	151 706 591
Community facilities	94 144 925	-	(338 432)	-	(5 331 375)	(3 581 398)	84 893 720
Other property, plant and equipment	540 384	11 985	(174 277)	16 337	(112 767)	(5 811)	275 851
Bins and containers	12 516	-	(6 716)	2 066	(2 256)	-	5 610
Work in progress	23 828 944	10 512 224	-	-	-	(5 538 868)	28 802 300
Emergency assets	8 965	-	(2 221)	408	(2 591)	-	4 561
	361 129 087	15 949 605	(3 226 263)	530 068	(29 954 133)	(16 735 962)	327 692 402

Pledged as security

Property, plant and equipment have not been pledged as security.

Restrictions on property, plant and equipment

There are no restrictions on the realisability of property, plant and equipment assets or the remittance of revenue and proceeds of disposal.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Categorized as infrastructure	Categorized as Community facilities	Total
Opening balance	10 552 926	18 249 374	28 802 300
Additions/capital expenditure	33 147 722	14 860 569	48 008 291
Impairments	1 759 299	(292 075)	1 467 224
Transferred to completed items	(15 012 940)	(6 334 096)	(21 347 036)
	30 447 007	26 483 772	56 930 779

Reconciliation of Work-in-Progress 2023

	Categorized as infrastructure	Categorized as Community facilities	Total
Opening balance	12 666 672	11 162 272	23 828 944
Additions/capital expenditure	3 425 121	7 087 103	10 512 224
Impairments	(5 538 867)	-	(5 538 867)
	10 552 926	18 249 375	28 802 301

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Kraaipan Cemetery Fencing	876 225	1 168 300
Access Road Madibogo Pan to Tlhaping - 8.5 km	3 779 568	3 779 568
Kraaipan internal Access Road	8 786 471	5 277 898
	13 442 264	10 225 766

Kraaipan Cemetery Fencing

The project has been delayed due to the contractor who has left the site and it has been halted the impairment of R292,075 has been recognised during the year 2023/2024.

Access Road Madibogo Pan to Tlhaping - 8.5 km

The project has been delayed due to rights to construct the bridge, the municipality has not yet obtain the rights to proceed with this project. The impairment of R3,779,568 has been recognised during the year 2022/2023.

Kraaipan internal Access Road

This project was delayed due to dispute between the service provider and the municipality. An impairment of R 1,759,299.36 was recognized during the year 2022/2023, however the project has since been resumed and the impairment was reversed during the year 2023/2024.

Fencing of Cemeteries Madibogo Pan

The project is delayed, as it was not included on the revised implementation plan. No Impairment considered as the project is not halted.

Construction of Link Road to N18 in Lokaleng Phase 3

The project is delayed, as it was not included on the revised implementation plan. No Impairment considered as the project is not halted.

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.

Ratlou Local Municipality

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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	485 150	(122 974)	362 176	286 500	(93 219)	193 281

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	193 281	198 650	(29 755)	362 176

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	222 009	(28 728)	193 281

Pledged as security

No intangible assets were pledged as security by the municipality

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Payables from exchange transactions		
Trade payables	2 022 959	8 858 896
Payments received in advanced	9 966 073	13 387 745
Retentions payable	8 223 205	4 395 954
Accrued leave pay	8 166 256	7 101 460
Accrued bonus	2 950 296	2 817 468
Control accounts	315 475	-
	31 644 264	36 561 523

7. Consumer deposits

Housing rental	63 922	32 339
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8. Employee benefit obligations

Long service bonus award

The accrued liability is a function of an additional year of accrued service, interest cost, and less the bonuses payable to staff attaining long service milestones. The result is based on the valuation data supplied, and the valuation methodology and assumptions applied to the valuation date.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by 8%. This recommendation is presently being implemented.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Employees, in most cases, choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(6 688 642)	(5 746 920)
Non-current liabilities	(6 170 036)	(5 447 882)
Current liabilities	(518 606)	(299 038)
	(6 688 642)	(5 746 920)

GRAP25 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee.

We have applied the Projected Unit Credit Method to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of Ratlou will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.

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

Opening balance	5 746 920	5 613 066
Net expense recognised in the statement of financial performance	941 722	133 854
	6 688 642	5 746 920

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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8. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	592 757	612 091
Interest cost	647 619	636 692
Actuarial (gains) losses	(79 454)	(735 619)
Settlement	(219 200)	(379 310)
	941 722	133 854

Defined benefit obligation	2024	2023	2022	2021	2020
	6 688 642	5 746 920	5 613 066	5 654 574	3 945 763

Key assumptions used

Discount rates used	11.47 %	11.57 %
Consumer Price Inflation	5.85 %	5.92 %
Net discount rate	4.32 %	4.35 %
Salary Increase Rate	6.85 %	6.92 %
Retirement Age (Years)	65	65

A long service award is payable after 10 years of continuous service and every 5 years there after to employees. The most recent actuarial valuation of the present value of the defined benefit provision was carried out at 30 June 2024 by TG Mhonde and D Mureriwa of One Pangaea Financial. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. At year-end 218 employees were eligible for long service awards.

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 7.74 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 11.47% per annum, and the yield on inflation-linked bonds of a similar term was about 4.84% per annum. This implies an underlying expectation of inflation of 5.85% per annum ($[1 + 11.47\% - 0.5\%] / [1 + 4.84\%] - 1$).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.85% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.42% per annum ($[1 + 11.47\%] / [1 + 6.85\%] - 1$).

9. Inventories

Consumable stores	250 114	141 376
Maintenance materials	158 312	164 232
	408 426	305 608

Carrying value of inventories carried at fair value less costs to sell	408 426	305 608
Inventories recognised as an expense during the year	754 920	558 792

Inventory pledged as security

No inventory was pledged as security by the municipality.

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Receivables from exchange transactions		
Other receivables	4 267 265	1 927 817
Control account	4 218 498	5 098 760
Licences and registration	191 227	213 395
	8 676 990	7 239 972
11. Receivables from non-exchange transactions		
Fines	88 402	239 104
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	78 562 202	61 991 537
Fines	88 402	68 343
	78 650 604	62 059 880
Financial asset receivables included in receivables from non-exchange transactions above	(78 562 202)	(61 820 776)
Total receivables from non-exchange transactions	88 402	239 104
Statutory receivables general information		
12. VAT receivable		
VAT	10 362 663	7 080 876
13. Consumer debtors		
Total		
Current (0 -30 days)	706 080	869 099
31 - 60 days	822 355	794 190
61 - 90 days	817 480	304 832
91 - 120 days	808 868	301 643
More than 120 days	75 371 418	59 721 774
Less: Allowance for impairment	(68 970 998)	(54 535 663)
	9 555 203	7 455 875
Residential		
Current (0 -30 days)	281 548	444 880
31 - 60 days	278 802	437 851
61 - 90 days	275 878	209 645
91 - 120 days	272 974	207 424
More than 120 days	25 570 126	20 781 166
Less: Allowance for impairment	(23 396 728)	(18 994 958)
	3 282 600	3 086 008
Commercial		
Current (0 -30 days)	160 616	200 036
31 - 60 days	137 682	196 948
61 - 90 days	136 235	95 187
91 - 120 days	134 803	94 219
More than 120 days	12 687 307	9 297 349
Less: Allowance for impairment	(11 608 016)	(8 500 311)
	1 648 627	1 383 428

Ratlou Local Municipality

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Figures in Rand	2024	2023
13. Consumer debtors (continued)		
National and provincial government		
Current (0 -30 days)	263 916	224 183
31 - 60 days	405 870	159 948
61 - 90 days	405 367	-
91 - 120 days	401 092	-
More than 120 days	37 113 986	29 643 259
Less: Allowance for impairment	(33 966 254)	(27 040 395)
	4 623 977	2 986 995

Fines		
Current (0 -30 days)	1 719 288	1 518 708
Less: Allowance for impairment	(1 630 886)	(1 450 365)
	88 402	68 343

Summary of debtors by customer classification

Consumer debtors pledged as security

No consumer debtors were pledged as security.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(2 137)	(3 585)
Bank balances	3 318 007	4 849 817
Short-term deposits	49 559 448	87 954 552
	52 875 318	92 800 784

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
FNB BANK - Main Acc - 62023653042	3 318 301	4 849 419	4 257 052	3 318 007	4 849 419	4 257 052
FNB BANK - Infrastructure Grant - 62159138299	454 739	425 560	404 460	454 739	425 560	404 460
FNB BANK - Call Account - 62600527975	47 756 938	86 275 201	68 364 652	47 756 938	86 275 201	68 364 652
FNB BANK - DBSA Loan - 62600530259	1 347 772	1 253 790	1 184 528	1 347 772	1 253 790	1 184 528
Total	52 877 750	92 803 970	74 210 692	52 877 456	92 803 970	74 210 692

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	18 533 000
DSAC Library Grant	150 715	1 599 606
Free Basic Water Grant	2 717 308	2 717 308
Kraaipan Water Grant	387 697	387 697
	3 255 720	23 237 611

See note 28 for reconciliation of grants from National/Provincial Government.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest on provision	Fair value adjustment	Total
Environmental rehabilitation	1 818 094	229 444	(95 317)	1 952 221

Reconciliation of provisions - 2023

	Opening Balance	Interest on provision	Fair value adjustment	Total
Environmental rehabilitation	2 213 595	244 602	(640 103)	1 818 094

Environmental rehabilitation provision

The provision for environmental rehabilitation relates to the municipality's estimated liability arising from the operation of two dumping sites, one in Setlagole and the other in Makgobistad.

Provision has been made for the net present value of the cost by One Pangaea Expertise and Solutions (Pty) Ltd, registered actuaries and waste management consultants.

The environmental rehabilitation provision includes an interest cost of R 229 444 (2023: R 244 602).

Summary of Adjustments

The unit cost of the various cost elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the www.dialytenders.co.za) websites, using the coefficients for Earthworks as provided in the General Conditions of Contract. Online research of services within the locality of Ratlou was used to determine unit rates for the cost derived for the closure and rehabilitation items. The pricing guide is the industry standard in referencing material for any stakeholder involved in the South African construction sector.

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 8.40 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 9.63% per annum, and the yield on inflation- linked bonds of a similar term was about 3.37% per annum. This implies an underlying expectation of inflation of 5.57% per annum $([1 + 9.63\% - 0.5\%] / [1 + 3.37\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.57% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.87% per annum $([1 + 9.63\%] / [1 + 6.57\%] - 1)$.

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2023.

Ratlou Local Municipality

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Figures in Rand	2024	2023
17. Revenue		
Service charges	431 989	398 710
Rental of facilities and equipment	1 810 427	1 660 290
Interest received on property rates	8 948 443	9 508 639
Agency services	950 762	883 470
Licences and permits	55 689	-
Impairment reversal	9 140 869	-
Gain on disposal of assets and liabilities	1 781 177	5 964 128
Telecentre income	460 819	1 011 682
Actuarial gains	79 454	735 619
Interest received - investment	8 053 016	5 964 128
Property rates	33 140 630	26 951 833
Government grants & subsidies	216 840 531	167 099 345
Public contributions and donations	-	88 500
Fines, Penalties and Forfeits	227 700	178 800
	281 921 506	220 445 144

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

Service charges	431 989	398 710
Rental of facilities and equipment	1 810 427	1 660 290
Agency services	950 762	883 470
Licences and permits	55 689	-
Telecentre income	460 819	1 011 682
Interest received - investment	8 053 016	5 964 128
	11 762 702	9 918 280

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

Taxation revenue		
Property rates	33 140 630	26 951 833
Transfer revenue		
Government grants & subsidies	216 840 531	167 099 345
Public contributions and donations	-	88 500
Fines, Penalties and Forfeits	227 700	178 800
	250 208 861	194 318 478

18. Service charges

Electricity	431 989	387 944
Water	-	10 766
	431 989	398 710

19. Rental of facilities and equipment

Premises		
Premises	1 790 657	1 649 370
Facilities and equipment		
Rental of facilities	19 770	10 920
	1 810 427	1 660 290

Ratlou Local Municipality

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Figures in Rand	2024	2023
20. Fines, Penalties and Forfeits		
Municipal Traffic Fines	227 700	178 800
21. Agency services		
Licences and registration	950 762	883 470
22. Licences and permits		
Licences	55 689	-
23. Interest from non-exchange receivables		
Interest - Property rates	8 937 815	9 508 639
24. Other revenue		
Impairment reversal	9 140 869	-
Other income	460 819	1 011 682
	9 601 688	1 011 682
25. Other income		
Telecentre income	442 148	496 118
Insurance claims	-	515 564
Site development	18 671	-
	460 819	1 011 682
26. Investment revenue		
Interest revenue		
Bank	252 119	123 075
Interest received on investment	7 800 897	5 841 053
	8 053 016	5 964 128
The amount included in Investment revenue arising from exchange transactions amounted to R 252 119.		
The amount included in Investment revenue arising from non-exchange transactions amounted to R 7 800 897.		
27. Property rates		
Rates received		
Residential	2 435 936	2 213 655
Commercial	3 980 563	1 391 517
State	24 834 715	20 881 295
Small holdings and farms	4 889 706	4 465 093
Less: Income forgone	(3 000 290)	(1 999 727)
	33 140 630	26 951 833

Ratlou Local Municipality

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Figures in Rand	2024	2023
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28. Government grants & subsidies

Operating grants

Equitable share	160 330 000	150 600 772
Local Government Sector Education Training Authority Mandatory Grant	660 640	1 709 483
Expanded Public Works Programme Integrated Grant	1 234 000	1 230 942
Disaster Management Grant	-	3 063 368
Local Government Financial Management Grant	1 890 000	1 890 000
DSAC Library Grant	3 132 891	444 780
	167 247 531	158 939 345

Capital grants

Municipal Infrastructure Grant	49 593 000	8 160 000
	216 840 531	167 099 345

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	55 849 891	14 837 251
Restricted grants received	660 640	882 845
Non-Restricted	160 330 000	148 997 000
	216 840 531	164 717 096

Equitable Share

Purpose of the grant is to to enable local government to provide basic services and perform its allocated functions.

Local Government Financial Management Grant

Current-year receipts	1 890 000	1 890 000
Conditions met - transferred to revenue	(1 890 000)	(1 890 000)
Balance at the end of the year	-	-

Purpose of the grant is to provide direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms..

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

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	-	13 399
Current-year receipts	1 234 000	1 231 000
Conditions met - transferred to revenue	(1 234 000)	(1 231 000)
Amount surrendered	-	(13 399)
Balance at the end of the year	-	-

Ratlou Local Municipality

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28. Government grants & subsidies (continued)

Purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods
- social services programmes
- community safety programmes.

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	18 533 000	4 390 374
Current-year receipts	32 193 000	23 893 000
Conditions met - transferred to revenue	(49 593 000)	(8 160 000)
Amount offset against equitable shares	(1 133 000)	(1 590 374)
Balance at the end of the year	-	18 533 000

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

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

Local Government Sector Education Training Authority Mandatory Grant

Current-year receipts	660 640	882 845
Transferred to revenue	(660 640)	(882 845)
Balance at the end of the year	-	-

Purpose of the grant is to aid in the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focuses on scarce and critical skills in the respect of sectors covered by the LGSETA, the New Growth Path, the Industrial Development Action Plan, the National Skills Accord, the Green Accord, the Beneficiation Strategy of South Africa, the National Development Plan, Strategic Integrated Projects, the Rural Development Strategy, the Back to Basics Strategy, the Environmental Strategy and the Human Resource Development Strategy.

DSAC Library Grant

Balance unspent at beginning of year	1 599 606	2 044 386
Current-year receipts	1 684 000	-
Conditions met - transferred to revenue	(3 132 891)	(444 780)
Balance at the end of the year	150 715	1 599 606

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software..

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

Free Basic Water Grant

Ratlou Local Municipality

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28. Government grants & subsidies (continued)

Balance unspent at beginning of year	2 717 308	2 717 308
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The purpose of this grant is to provide water to the community as an agent of the district. However current year there was no expenditure incurred.

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

Kraaipan Water Grant

Balance unspent at beginning of year	387 697	387 697
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This grant is mainly used for drilling and equipping of boreholes, and purchase two water tankers and two crew cabs for essential teams.

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

NMMDM Water and Sanitation grant

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

29. Public contributions and donations

Public contributions and donations	-	88 500
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Conditions still to be met - remain liabilities (see note 15)

Ratlou Local Municipality

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Figures in Rand	2024	2023
30. Employee related costs		
Basic	63 360 539	61 583 251
Bonus	5 263 457	5 294 880
Medical aid - company contributions	6 693 649	6 471 831
UIF	463 181	468 505
SDL	809 074	762 649
Leave pay provision charge	1 559 903	(964 356)
Overtime payments	2 853 069	2 537 899
Long-service awards	711 922	610 559
Acting allowances	3 915 987	1 431 652
Housing benefits and allowances	2 225 598	2 078 307
Bargaining council contributions	28 484	28 168
Pension fund contribution	6 911 429	6 682 282
Remote allowance	241 394	107 756
Danger allowance	48 440	4 143 440
	95 086 126	91 236 823
Remuneration of the Municipal Manager - (Status: MM - Mr Lloyd Leoko) Appointed on 01-10-2023 to date		
Annual Remuneration	778 366	-
Remote allowance	31 135	-
Contributions to UIF, Medical, Bagaining and Pension Fund	9 481	-
	818 982	-
Remuneration of the Municipal Manager - (Status: MM - Mr Tebogo Chanda) Teminated on 30-07-2023		
Annual Remuneration	12 944	455 628
Remote allowance	-	9 927
Contributions to UIF, Medical, Bagaining and Pension Fund	259	5 475
	13 203	471 030
Remuneration of the Chief Financial Officer - (Status: CFO - Mr Tumelo Letlojane)		
Annual Remuneration	897 693	863 028
Remote allowance	4 515	20 252
Contributions to UIF, Medical, Bagaining and Pension Fund	11 240	10 887
	913 448	894 167
Remuneration of the Acting Chief Financial Officer (Status: Acting CFO - Mr Collen Tjale) Acted on 01-05-2023 to 31-01-2024		
Annual Remuneration (Acting allowance)	69 589	18 045
Remote allowance	19 919	5 156
	89 508	23 201
Remuneration of the Acting Chief Financial Officer (Status: Acting CFO - Mrs O Malema) Acting from 01-02-2024 up to date		
Annual Remuneration (Acting allowance)	49 706	-
Car Allowance	14 202	-
	63 908	-
Remuneration of the Senior Manager Technical Services (Status: Senior Manager- Ms KA Phiritshwane) Appointed on 01-04-2024 to date		

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs (continued)		
Annual Remuneration	213 027	-
Remote allowance	8 521	-
Contributions to UIF, Medical, Bagaining and Pension Fund	566	-
	222 114	-
Remuneration of the Acting Manager Technical Services (Status: Acting Senior Manager- Mr Mooketsi Shomolekae) Acted on 01-02-2023 to 31-03-2024		
Annual Remuneration (Acting allowance)	86 530	45 922
Remote allowance	5 681	10 648
	92 211	56 570
Remuneration of the Acting Manager Technical Services (Status: Acting Senior Manager- Mr K MPA) Acted on 01-07-2023 to 31-08-2023		
Annual Remuneration (Acting allowance)	16 631	150 391
Remote allowance	8 521	7 314
	25 152	157 705
Remuneration of the Acting Manager Technical Services (Status: Acting Senior Manager- Mr K Mapomane) Acted 01-09-2023 to 31-01-2024		
Annual Remuneration (Acting allowance)	82 270	106 652
Remote allowance	13 215	8 151
	95 485	114 803
Remuneration of the Corporate Service Senior Manager (Status:Senior Corporate Manager- Mr PM Masukela) Appointed on 01-05-2024 Terminated on 24-05-2024		
Annual Remuneration	71 009	-
Remote allowance	2 840	-
Contributions to UIF, Medical, Bagaining and Pension Fund	899	-
	74 748	-
Remuneration of the Acting Corporate Service Senior Manager (Status: Acting Senior Manager - MR Lesley Muji) Acted on 01-09-2023 to 30-04-2024		
Annual Remuneration (Acting allowance)	76 333	11 757
Remote allowance	21 810	719
	98 143	12 476
Remuneration of the Acting Corporate Service Senior Manager (Status: Acting Senior Manager - MR GA Ntshekang) Acted on 01-07-2023 and on 01-06-2024		
Annual Remuneration (Acting allowance)	35 011	-
Car Allowance	9 308	-
	44 319	-
Remuneration of the Senior Community Service Manager (Status:Senior Manager - Mr RS Manoto) Appointed on 01-04-2024 to date		
Annual Remuneration	213 027	-

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Figures in Rand	2024	2023
30. Employee related costs (continued)		
Remote allowance	8 521	-
Contributions to UIF, Medical, Bagaining and Pension Fund	2 696	-
	224 244	-

Remuneration of the Acting Community Service Senior Manager (Status: Acting Senior Manager - Mr Petrus Magano) Acted on 01-03-2023 to 31-08-2023 and from 01-02-2024 to 30-03-2024

Annual remuneration (Acting allowance)	39 765	35 085
Remote allowance	11 361	10 165
	51 126	45 250

Remuneration of the Acting Community Service Senior Manager (Status: Acting Senior Manager - Mr Tshepo Seleke) Acted on 01-02-2023 to 31-03-2023

Annual Remuneration (Acting allowance)	-	11 757
Remote allowance	-	719
	-	12 476

Remuneration of the Planning And Development Senior Manager - (Status: Senior Manager- Mr SC SEJAKE)

Annual Remuneration	127 731	968 955
Remote allowance	3 156	24 512
Contributions to UIF, Medical, Bagaining and Pension Fund	1 466	11 935
	132 353	1 005 402

31. Remuneration of councillors

Executive Major	1 005 066	955 303
Mayoral Committee Members	3 016 425	3 637 593
Speaker	824 685	780 264
Councillors	7 501 228	6 844 875
	12 347 404	12 218 035

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

32. Depreciation and amortisation

Property, plant and equipment	30 270 947	29 954 133
Intangible assets	29 755	28 728
	30 300 702	29 982 861

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Figures in Rand	2024	2023
33. Impairment loss		
Impairments		
Property, plant and equipment	2 187 859	16 735 960
Main Events and Reasons for Impairment:		
Assets have experienced a notable decline in their assessed conditions, characterized by deterioration and visible damage. These issues have adversely affected the service potential of assets. Additionally, certain projects have demonstrated a reduction in anticipated economic benefits even prior to their completion		
Reversal of impairments		
Property, plant and equipment	(9 140 869)	-
The estimations which was used In the prior year have been revised by management to align with GRAP, and the change in estimate has resulted in most assets recoverable amount calculated to be higher than their carrying value,Consequently, impairments previously recognized have been reversed.		
This change in estimates has resulted in the reversal of Impairment amounting to R7 381 569.64 during the year 2023/2024. The future impact of this new developments cannot be calculated or estimated as it is depending on the conditions and utilisation of assets which cannot be predicted.]		
Total impairment losses or (reversal)	(6 953 010)	16 735 960

The main classes of assets affected by impairment losses are:

- Buildings
- Community Facilities
- Infrastructure
- Office Equipment
- Other PPE
- Furniture and fixture
- Work In Progress

The main classes of assets affected by reversals of impairment losses are:

- Buildings
- Community Facilities
- Infrastructure
- Office Equipment
- Other PPE
- Furniture and fixture
- Work In Progress

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Figures in Rand	2024	2023
34. Finance costs		
Trade and other payables	647 619	636 692
Fair value adjustments: Notional interest	229 444	244 602
Other interest paid	32 347	92 832
	909 410	974 126
35. Auditors' remuneration		
Fees	4 835 533	3 746 612
36. Debt impairment		
Debt impairment	15 544 930	13 831 836
37. General expenses		
Advertising	1 793 803	620 569
Auditors remuneration	4 835 533	3 746 612
Bank charges	301 672	346 387
Cleaning	1 121 437	421 669
Consulting and professional fees	15 410 446	21 058 559
Insurance	2 289 188	2 857 774
Conferences and seminars	1 081 530	1 295 110
IT expenses	10 860 993	11 153 704
Fleet	908 809	720 771
Motor vehicle expenses	351 040	552 459
Fuel and oil	3 596 881	3 250 625
Postage and courier	2 384	6 000
Printing and stationery	759 812	807 188
Protective clothing	490 361	28 791
Repairs and maintenance	9 100 491	4 277 977
Staff welfare	101 798	71 416
Subscriptions and membership fees	1 027 838	4 370
Telephone and fax	97 392	256 103
Transport and freight	3 556 365	1 477 941
Training	1 444 682	54 335
Electricity	14 599 971	13 618 665
Accommodation	1 643 714	1 787 862
Ward committee and secretaries	2 827 309	2 573 000
Catering	1 922 943	1 415 135
Other expenses	1 451 564	1 526 945
Rentals and hiring	1 684 353	544 531
	83 262 309	74 474 498
38. Contracted services		
Contractors		
Transportation	21 853	43 263
Fleet services and safeguard and security	13 785 271	13 494 377

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Figures in Rand	2024	2023
39. Cash generated from operations		
Surplus (deficit)	28 360 330	(41 071 881)
Adjustments for:		
Depreciation and amortisation	30 300 703	29 994 023
(Loss) gain on sale of assets and liabilities	(1 781 177)	3 190 059
Fair value adjustments	104 683	(640 103)
Interest income	(7 800 897)	(5 841 053)
Finance costs	(54 673)	29 908
Impairment	(6 953 010)	16 735 960
Debt impairment	15 544 930	13 831 836
Movements in provisions	134 127	395 501
Non-cash donations and other in-kind benefits	-	(88 500)
Actuarial gain/loss	(79 454)	(735 619)
Changes in working capital:		
Inventories	(102 818)	73 723
Receivables from exchange transactions	(1 437 018)	(1 011 510)
Other receivables from non-exchange transactions	(15 394 228)	(13 848 768)
Employee benefit obligation	941 722	133 854
Payables from exchange transactions	(5 652 216)	7 061 047
VAT	(3 281 787)	441 106
Unspent conditional grants and receipts	(19 981 891)	16 885 032
Consumer deposits	31 583	(11 079)
	12 898 909	25 523 536

40. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Gain (loss) on sale of property, plant and equipment	1 781 177	(3 190 059)
Impairment on property, plant and equipment	2 187 859	16 735 960
Depreciation on property, plant and equipment	30 300 703	29 994 023
Employee costs	107 433 530	103 454 858

41. Fair value adjustments

Investment property (Fair value model)	(200 000)	-
Landfill site (Fair value model)	95 317	640 103
	(104 683)	640 103

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	91 506 326	91 091 318
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	91 506 326	91 091 318
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Total commitments

Total commitments

Authorised capital expenditure	91 506 326	91 091 318
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Ratlou Local Municipality

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Figures in Rand	2024	2023
43. Contingencies		
Contingent liabilities		
T-Squire Engineers	288 351	288 351
DS Molapo Project And Fire Services	-	6 002 588
Bokone Bophirima Property Valuers (Pty) Ltd	-	497 168
Sharon's Maintenance	2 227 898	2 227 898
	2 516 249	9 016 005

T-Squire Engineers

Municipality successfully defended application for default judgement for unpaid services for R101 622.03 and R186 728.61 in terms of a variation order. Application to refer the matter to the High court has been drafted due to jurisdictional amount of counterclaim. Matter is at exchange of pleading stage.
Matter is on-going

DS Molapo Project And Fire Services

DS Molapo Project and Fire Services filed summons in relation to claim for unpaid services for rendered. Pending In court
Prospects of settlements 60%

Bokone Bophirima Property Valuers (Pty) Ltd

Summons alleging that RLM is in breach of terms of an SLA in that it failed to pay the Plaintiff for service rendered for confirmation/verification and valuation of Government properties on the Ratlou General Valuation roll 2009-2013, totalling the sum of R 1 246 152.07.
Summons were received and further investigations were conducted.

Sharon's Maintenance

Sharon's Maintenance and Electrical was appointed by the Ratlou Local Municipality for the Upgrading of Bulk Water Supply – Logageng.

Claims that the Municipality failed to pay the outstanding amount for the service rendered by Sharon's maintenance for the building of a water reservoir in Logageng Village in terms of a variation order allegedly granted to the service provider by MM for R2 227 898.21

Contingent assets

Sejake CC	647 898	1 244 406
Staff Debtors	-	-
	647 898	1 244 406

Sejake CC

This is the rescission of judgement application instituted by the Municipality to rescind the default judgement and stay the execution of the right obtained by the Respondent.

Matter transferred to normal opposed roll on appeal

Staff Debtors

During 2020 financial year the 45 employees received salary increment from the municipality without abiding with the legislation. Municipality opened the case against the employees and the court ordered that the monies be paid back to the municipality. The employees requested the municipality to take note of the deductions that were affected by the increment when determining the amount to be paid back. The municipality took a resolution that the employees and the unions should be consulted since the increment affects each employee differently. The amount of an asset could not be reliably estimated.

Ratlou Local Municipality

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Figures in Rand	2024	2023
44. Related parties		
Relationships		
Accounting Officer	Refer to accounting officers' report note	
Members of key management and remuneration	Refer to note 30	
Councillors	Refer to note 31&44	
Close family member of key management	There are no transactions between close family members of key management	
Compensation to accounting officer and other key management		
Short-term employee benefits	13 819 685	13 344 103
Defined contribution plans	1 225 743	1 193 306
	15 045 428	14 537 409

Remuneration of management

Management class: Councillors

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

2024

Name	Basic salary	Cellphone allowance	Pension, Medical, and Other allowances	Total
Mr Jafta - Mayor	815 214	42 600	119 641	977 455
GK Leepo - Speaker	692 298	42 600	67 698	802 596
T Mothibedi - Executive Committee	410 935	42 600	43 127	496 662
T Motlapelle - Executive Committee	420 485	42 600	33 655	496 740
P Mafethe - Executive Committee	646 259	42 600	58 798	747 657
G Mokgope - MPAC Chairperson	425 345	42 600	29 296	497 241
R Tshabang - Cllr	292 006	42 600	6 924	341 530
P Shawe - Cllr	292 006	42 600	6 924	341 530
A Pheho - Cllr	292 006	42 600	6 924	341 530
L Soka - Cllr	292 006	42 600	6 924	341 530
M Nqume - Cllr	292 006	42 600	6 924	341 530
D Sejamoholo - Cllr	273 564	42 600	24 996	341 160
D Sebolai - Cllr	503 554	42 600	42 146	588 300
A Mosepele	292 006	42 600	6 924	341 530
T Dipheko - Cllr	273 564	42 600	24 996	341 160
KD Gaasenwe - Cllr	536 995	42 600	9 373	588 968
V Jantjies - Cllr	263 688	42 600	33 927	340 215
D Seitshiro - Cllr	292 006	42 600	6 924	341 530
M Dala - Cllr	273 563	42 600	24 997	341 160
G Mogapi - Cllr	273 564	42 600	24 997	341 161
P Letebele - Cllr	273 564	42 600	24 997	341 161
M Tladi - Cllr	273 564	42 600	24 997	341 161
N Radebe - Cllr	292 005	42 600	6 924	341 529
S Motone - Cllr	636 916	42 600	10 373	689 889
A Masilo - Cllr	273 564	42 600	24 087	340 251
KP Sechele - Cllr	308 071	42 600	25 333	376 004
MB Hyan - Cllr	265 217	39 200	6 336	310 753
	10 175 971	1 146 800	709 162	12 031 933

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

2023

Name	Basic salary	Travel allowance	Cellphone allowance	Pension, Medical, and Other allowances	Total
Mr Jafta - Mayor	845 109	-	40 800	65 794	951 703
GK Leepo - Speaker	680 356	-	40 800	55 508	776 664
T Mothibedi - Executive Committee	408 619	-	40 800	15 632	465 051
T Mothlapele - Executive Committee	390 039	30 000	40 800	4 380	465 219
K Badirwang - Executive Committee (deceased June 2023)	568 264	-	37 991	67 382	673 637
P Mafethe - Executive Committee	654 561	-	40 800	53 977	749 338
G Mokgope - MPAC Chairperson	835 636	-	40 800	8 596	885 032
R Tshabang - Cllr	295 772	-	40 800	3 198	339 770
P Shawe - Cllr	295 772	-	40 800	3 198	339 770
A Pheho - Cllr	295 772	-	40 800	3 198	339 770
L Soka - Cllr	295 772	-	40 800	3 198	339 770
M Nqume - Cllr	295 772	-	40 800	3 198	339 770
D Sejamoholo - Cllr	284 352	-	40 800	14 389	339 541
D Sebolai - Cllr	529 718	-	40 800	42 222	612 740
A Mosepele - Cllr	295 772	-	40 800	3 198	339 770
T Dipheko - Cllr	284 352	-	40 800	14 389	339 541
KD Gaasenwe - Cllr	566 748	-	40 800	5 908	613 456
V Jantjies - Cllr	284 352	-	40 800	14 389	339 541
D Seitshiro - Cllr	295 772	-	40 800	3 198	339 770
M Dala - Cllr	276 310	-	40 800	22 271	339 381
G Mogapi - Cllr	284 352	-	40 800	14 389	339 541
P Letebele - Cllr	284 352	-	40 800	14 389	339 541
M Tladi - Cllr	284 352	-	40 800	14 389	339 541
N Radebe - Cllr	295 772	-	40 800	3 198	339 770
S Motone - Cllr	295 772	-	40 800	3 198	339 770
A Masilo - Cllr	284 229	-	40 800	14 517	339 546
KP Sechele - Cllr	209 840	-	38 924	2 328	251 092
	10 617 489	30 000	1 096 915	473 631	12 218 035

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
45. Change in estimate				
Property, plant and equipment				
The useful lives of all asset classes were assessed during 2023/2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the Municipality during 2023/2024 has decreased the depreciation charge by an estimated value of R 2 329 606. It is impracticable to estimate the effect of these changes on future periods.				
The Recoverable amount of all asset classes were revised during 2023/2024 for accurate on the reflection of remaining expected service potential from these assets. The Effect of this assessment has resulted in the reversal of Impairment amounting to R7 381 569.64 (2023/2024). It is impracticable to estimate the effect of these changes on future periods.				
46. 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
Accumulated surplus		(413 326 541)	42 676 909	(370 649 632)
Other receivables - Registration and licensing		213 395	(213 395)	-
Payables from exchange transactions - Control accounts		-	5 044 304	5 044 304
Payables from exchange transactions - Retentions payable		(4 325 813)	(70 141)	(4 395 954)
Payables from exchange transactions - Trade payables		(6 570 515)	(163 270)	(6 733 785)
Property, plant and equipment - Buildings		35 568 430	(602 951)	34 965 479
Property, plant and equipment - Community		86 595 370	(1 701 649)	84 893 721
Property, plant and equipment - Furniture and fixtures		1 010 456	(19 784)	990 672
Property, plant and equipment - Infrastructure		152 050 037	(343 448)	151 706 589
Property, plant and equipment - IT equipment		3 518 677	48 841	3 567 518
Property, plant and equipment - Motor vehicles		19 172 201	1 789 461	20 961 662
Property, plant and equipment - Office equipment		1 521 622	(3 182)	1 518 440
Property, plant and equipment - Other property, plant and equipment		235 434	40 418	275 852
Property, plant and equipment - Work in progress		34 341 168	(5 538 867)	28 802 301
Receivables from exchange transactions - Consumer debtors - Other 1		(148 202)	148 202	-
Receivables from exchange transactions - Consumer debtors - Rental		(2 153 082)	2 153 082	-
Receivables from exchange transactions - Consumer debtors - Sundry		402 639	(2 667 148)	(2 264 509)
Receivables from exchange transactions - Control account		392 064	(337 607)	54 457
Receivables from exchange transactions - Other receivables		3 596 756	(1 668 939)	1 927 817
Receivables from non-exchange transactions - Consumer debtors - Rates		8 920 403	(10 141 431)	(1 221 028)
Receivables from non-exchange transactions - Traffic fines receivables		238 703	400	239 103
Unspent conditional grants and receipts - LG SETA grant		(913 662)	913 662	-
Unspent conditional grants and receipts - Municipal Infrastructure Grant		(18 484 897)	(48 103)	(18 533 000)
Unspent conditional grants and receipts - NMMDM grants		(7 012 150)	7 012 150	-
VAT receivable / payable		6 730 578	73 113	6 803 691
Receivables from exchange transactions - Registration and licensing		-	213 395	213 395
Payables from exchange transactions - Payments received in advance		-	(9 902 206)	(9 902 206)
VAT receivable / payable		-	277 185	277 185
Accumulated surplus		-	(1 847 925)	(1 847 925)
		(98 426 929)	25 121 076	(73 305 853)

Statement of financial performance

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
46. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Correction of error	Restated
Contracted services		12 802 679	734 961	13 537 640
Actuarial gains/losses		(1 131 120)	395 501	(735 619)
Depreciation and amortisation - Property, plant and equipment		29 991 823	2 199	29 994 022
Employee related costs - Long-service awards		612 091	(1 532)	610 559
Employee related costs - Overtime payments		2 482 402	55 497	2 537 899
Finance costs - Fair value adjustments: Notional interest		-	244 602	244 602
Finance costs - Trade and other payables		72 994	19 838	92 832
Gain/Loss on disposal of assets and liabilities		2 817 914	372 145	3 190 059
General expenses - Accomodation		1 772 912	14 950	1 787 862
General expenses - Advertising		616 889	3 680	620 569
General expenses - Catering		1 408 535	6 600	1 415 135
General expenses - Consulting and professional fees		21 062 095	(3 536)	21 058 559
General expenses - Other expenses		1 535 445	(8 500)	1 526 945
General expenses - IT expenses		10 993 398	160 307	11 153 705
General expenses - Transport and freight		1 488 084	(10 143)	1 477 941
Government grants & subsidies - Municipal Infrastructure Grant		(8 208 103)	48 103	(8 160 000)
Government grants & subsidies - NMM Support Grant		(2 987 850)	2 987 850	-
Impairments loss		8 891 026	7 844 934	16 735 960
Interest received - property rates		(16 422 825)	6 914 186	(9 508 639)
Other income - Telecentre income		(490 590)	(5 528)	(496 118)
Remuneration of councillors - Councillors		6 941 774	(96 900)	6 844 874
Remuneration of councillors - Executive Mayor		958 904	(3 600)	955 304
Remuneration of councillors - Mayoral Committee Members		4 289 444	(651 852)	3 637 592
Remuneration of councillors - Speaker		124 813	655 452	780 265
		(913 662)	913 662	-
Unspent conditional grants and receipts - Municipal Infrastructure Grant		(18 484 897)	(48 103)	(18 533 000)
Fair value adjustment		-	(640 103)	(640 103)
General expenses - Repairs and maintenance		-	304 790	304 790
Surplus for the year		60 224 175	20 209 460	80 433 635

46.01 Contingent liabilities

a) Contingent liabilities were overstated in the prior year with the retention amount of R8 827 196.35 that have been accruing since 2016, there were no claims instituted against the Municipality for non-payment of the retention amount to disclose the amount as a contingent liability.

b) Contingent liabilities were understated with an amount of R748 984.42 for Bokone Bophirima which was incorrectly not disclosed. The prior year has been correctly disclosed.

c) Furthermore, contingent liabilities were overstated with an amount of R1 011.36 for T-Square Engineers as per the summon from T-Square and a prescribed amount of R2 227 898 for Sharn's Maintenance.

46.02 Property, plant and equipment

The opening balance of movable assets was adjusted due to missclassifications, assets not included in the register and assessment of carrying values. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
46. Prior-year adjustments (continued)		
Statement of Financial Position		
Decrease in Property, plant and equipment - Buildings	-	(602 951)
Decrease in Property, plant and equipment - Community	-	(1 701 649)
Decrease in Property, plant and equipment - Furniture and fixtures	-	(19 784)
Decrease in Property, plant and equipment - Infrastructure	-	(343 448)
Increase in Property, plant and equipment - IT Equipment	-	48 841
Increase in Property, plant and equipment - Motor vehicles	-	1 789 461
Increase in Property, plant and equipment - Office equipment	-	(3 182)
Increase in Property, plant and equipment - Other property, plant and equipment	-	40 418
Increase in Property, plant and equipment - Work in progress	-	(5 538 867)
Statement of Financial Performance		
Increase in Depreciation and amortisation - Property, plant and equipment	-	2 199
Increase in Gain/Loss on disposal of assets and liabilities	-	372 145
Decrease in impairment loss	-	6 914 186
	-	957 369

46.03 Remuneration of employees and councillors

a) Overtime - Recalculation of hours worked by employees were incorrectly calculated in the 2022/23 general ledger. The erroneous capturing of these overtime worked in the 2022/23 general ledger resulted in the accumulated surplus being overstated by R 55,496.95 and overtime being understated by R 55,496.95

b) Payment of long service awards - Years worked by the employees and rates used was incorrectly calculated in 2022/2023 general ledger. The erroneous capturing of these Long service rate's in the 2022/23 general ledger resulted in the following: Accumulated Surplus were understated by R 1,531.92 and Long Service were Overstated by R 1,531.92

c) Councillors' allowances - In prior years, councillors were paid data allowances which were not approved by government gazette. To this effect, payment arrangements were made with related councillors for the reimbursement of the unapproved allowances. However, the reimbursement arrangements were not accounted for appropriately in the books of the municipality, resulting in an overstatement of councillors remuneration by R96,900, and an understatement of Staff recoveries by R96,900

These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position		
Increase in Payables from exchange transactions - Control accounts	-	(55 497)
Decrease in Accumulated surplus	-	1 532
Statement of Financial Performance		
Decrease in Employee related costs - Long-service awards	-	(1 532)
Increase in Employee related costs - Overtime payments	-	55 497
Decrease in Remuneration of councillors	-	(96 900)
Increase in Rental of facilities and equipment - Premises	-	96 900
	-	-

46.04 Payables from exchange transactions

a) Retentions - Retentions capitalised / not paid in the prior year were not correctly accounted for in the payables (retentions), as such, these amounts were revisited and accounted for appropriately to reflect the applicable effects on retentions payable as follows:

b) Payables and accruals - In the prior year, the municipality had retained in their books legacy balances which do not meet the recognition criteria for payables, per requirements of applicable reporting frameworks and regulations, as there is no foreseeable enforceable right by third parties to an outflow of economic benefits from the municipality. This is due to (but not limited to) parties having enforceable rights to economic benefits not being identifiable, transactions giving rise to enforceable rights not identifiable, outflows of economic benefits to third parties in respect of these balances having already occurred...etc.

These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Ratlou Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
46. Prior-year adjustments (continued)		
Statement of Financial Position		
Increase in Payables from exchange transactions - Retentions	-	70 141
Decrease in Payables from exchange transactions - Trade payables	-	(19 657)
Increase in Accumulated surplus	-	(50 484)
	-	-

43.05 Consumer Debtors

The opening balance of consumer debtors in prior years was mistated as a result of (but not limited to) incorrect billing of customers, incorrect interest charges on consumer accounts, impairments incorrectly calculated, offsetting of debtors with credit balances (not disclosed as payables). The municipality has re-visited the entire population of consumer accounts to correct these error with the effect thereof as follows:

Statement of Financial Position		
Increase in Receivables from non-exchange transactions - Consumer debtors - Rates	-	9 902 206
Increase in Payables from exchange transactions - Payments received in advance	-	(9 902 206)
	-	-

46.06 Grants revenue and liabilities

In prior years, receipts from donors and grantors (i.e. receipts in respect of LGSETA Mandatory Grant, and Ngaka Modiri Molema water and sanitation support) were treated as conditional, wherein revenue may only be recognised upon performance or related conditional expenditure, per GRAP 23. This is inconsistent with the nature of the receipts, as they are restricted in nature

46.07 Commitments

Commitments in 2023 were understated by R 37 049 159.31 due to lack of records. The comparative figure has been updated and correctly disclosed.

46.08 Vat Payable/Receivable

Recognition of khokhos invoices relating to VAT were incorrectly captured in the 2023/24 general ledger. The erroneous capturing of these invoices in the 2023/24 general ledger resulted in the following: Trade payables are understated by R -350 509 and VAT were overstated by R - 45 718.50

46.09 Repairs and maintenance

Recognition of khokhos invoices issued for the 2022/23 financial year were incorrectly captured in the 2023/24 general ledger. The omission of these invoices in the 2022/23 general ledger resulted in the following: Trade payables are understated by R - 350 509.; VAT Payable is understated 45 718.50; and Repairs and Maintenance is understated by R 304 790 .

Ratlou Local Municipality

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47. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the municipality's financial performance.

Financial instruments carried at fair value at the end of the reporting period are further characterised by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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.

Liabilities are managed by ensuring that 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.

Financial liabilities that the municipality is exposed to are as follows:

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 - at amortised cost	31 328 763	-	-	-
Consumer deposits - at amortised cost	63 922	-	-	-
Employee benefit obligation	518 606	6 170 036	-	-
Unspent conditional grants and receipts - at amortised cost	3 255 720	-	-	-
Provisions	-	1 952 221	-	-
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 - at amortised cost	36 284 336	-	-	-
Consumer deposits - at amortised cost	32 339	-	-	-
Employee benefit obligation	299 038	5 447 882	-	-
Unspent conditional grants and receipts	23 237 611	-	-	-
Provisions	-	1 818 094	-	-

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47. Risk management (continued)

Credit risk

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

Receivables are amounts owing by consumers, and are presented net of impairment losses. The Entity has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Entity is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. The objectives, policies and processes for managing and measuring the Entity's risk during the year in review have remained stable. The Entity's strategy for managing risk is inherent in its credit control and debt collection as well as tariff policy measures, which include encouraging residents to install prepaid electricity meters. In certain instances, a deposit is required for new service connections.

The Entity's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The Entity has no significant concentration of credit risk, with exposure spread over multiple consumers and not concentrated in any particular sector or geographic area. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Interest is charged on outstanding amounts. Receivables are provided for based on estimated irrecoverable amounts, as explained in the accounting policy. Additional information relating to the analysis of receivables is given in notes 10&13.

Payments on accounts of consumer debtors who are unable to pay due to an adverse change in their circumstances are renegotiated as part of an ongoing customer relationship. Traffic fines can be disputed in writing, which can lead to a renegotiated fine.

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

Financial instrument	2024	2023
Receivables from exchange transactions - at amortised cost	8 676 990	7 239 972
Receivables from non-exchange transactions	88 402	239 104
VAT receivable - at amortised cost	10 362 663	7 080 876
Cash and cash equivalents - at fair value (level 2)	52 875 318	92 800 784

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from short term deposits. Short term deposits issued at variable rates expose the municipality to cash flow interest rate risk. On the other hand, short term deposits issued at fixed rates expose the municipality to fair value interest rate risk. As at 31 March 2024 and 30 June 2023, the municipality's deposits and bank balances at fixed rate were denominated in the Rand.

Bank (Credit rating)

FNB BANK - Main Acc - 62023653042 (Baa3)	3 687 105	4 849 419
FNB BANK - Infrastructure Grant - 62159138299 (Baa3)	454 739	425 560
FNB BANK - Call Account - 62600527975 (Baa3)	47 756 938	86 275 201
FNB BANK - DBSA Loan - 62600530259 (Baa3)	1 347 772	1 253 790
	53 246 554	92 803 970

Ratlou Local Municipality

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48. Unauthorised expenditure		
Opening balance as previously reported	41 546 207	27 081 210
Add: Unauthorised expenditure - current	9 419 189	14 464 997
Closing balance	50 965 396	41 546 207

Unauthorised expenditure : per vote level

Budget and Treasury Office	9 419 189	-
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Unauthorised mainly relates to underestimated debt impairment which is non cash. Debts Impairment was under estimated due to being overly optimistic about customers' ability to pay and due to rapid changes in the economic environment

Unauthorised expenditure: Budget overspending – per municipal department:

49. Fruitless and wasteful expenditure

Opening balance as previously reported	1 246 457	1 192 524
Add: Fruitless and wasteful expenditure identified - current	24 790	53 933
Closing balance	1 271 247	1 246 457

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49. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
	Disciplinary steps taken/criminal proceedings		
Eskom	No disciplinary action has been taken	4 952	35 726
SARS	No disciplinary action has been taken	19 838	71
AGSA	No disciplinary action has been taken	-	12
Toyota	No disciplinary action has been taken	-	18 124
		24 790	53 933

50. Irregular expenditure

Opening balance as previously reported	239 974 614	242 937 801
Add: Irregular expenditure - current	7 108 367	3 463 004
Add: Irregular expenditure - prior period	-	4 217 859
Add: Irregular expenditure - prior period	-	(10 644 050)
Closing balance	247 082 981	239 974 614

Ratlou Local Municipality

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2023

50. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Did not follow competitive bidding processes	Consequence management not followed	7 108 367	7 680 863

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 178 177	1 162 563
Amount paid - current year	(1 178 177)	(1 162 563)
	-	-

Audit fees

Opening balance	-	13 780
Current year subscription / fee	5 560 863	3 746 612
Amount paid - current year	(5 541 899)	(3 760 392)
	18 964	-

PAYE and UIF

Current year subscription / fee	17 635 877	468 505
Amount paid - current year	(17 635 877)	(468 505)
	-	-

Ratlou Local Municipality

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

Pension and Medical Aid Deductions

Current year subscription / fee	21 803 891	13 154 113
Amount paid - current year	(21 803 891)	(13 154 113)
	-	-

VAT

VAT receivable	6 293	277 185
VAT payable	(10 356 370)	(6 803 691)
	(10 350 077)	(6 526 506)

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

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

Skills development levy

Current year subscription/fee	907 823	762 649
Amount paid - current year	(907 823)	(762 649)
	-	-

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52. 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.f

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.

Procurement transactions	2024	Number of Deviations 2024
Emergency	4 300 000	1
Impractical to follow process	5 458 631	62
Sole Provider	3 455	1
	9 762 086	

Reason	Month	Supplier	Amount	Description
Sole supplier	July	Hino Lichtenburg	26 779	The Municipal vehicle had a breakdown while on duty undertaking water delivery to various Municipal facilities and the funerals,the damages experienced were the malfunctioning radiator and falling cab shock,HINO is the original equipment manufacturer.
Sole supplier	July	JBJ Machinery	59 624	Two vehicles were due for service,the service includes the replacement of air filter kit,changing of filter cartridge oil,filter cartridge fuel,water and fuel separator,bowl filter fuel water separator,oil diesel lube,mudguard,clutch,water pipes and nossels.Both the vehicles were taken to Powerstar,the reason being that Powerstar is the original equipment manufacturer.
Emergency	February	Hurricane Locksmith	3 455	Two offices utilized by the members of the executive committee were soft locked,the request for the arrangement with the lock smith.
Emergency	February	Mmabath o Autolot & Repairs	182 112	Water tankers had to be repaired urgently as they are used to supply communities with water during funerals and for gravelling the municipal internal roads
Sole supplier	April	Xneelo Trusted in Hosting	18 412	XNEELO is the current host of the municipal emails, the service is payable yearly in April. If payment is not received, the municipal payment system will be frozen until such payment is madeReason for emergency is goods are available from a Sole supplier
Emergency	April	Mmabath o Autolot & Repairs	75 659	The water tanks had to be repaired urgently as they are used on daily basis to supply communities with water during funerals and for gravelling the municipal internal roads.
Impractical to follow process	November	Mmabath o Autolot & Repairs	13 225	The Municipality vehicles had to be towed from Mafikeg to Municipal offices.

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Figures in Rand		2024	2023
52. Deviation from supply chain management regulations (continued)			
Impractical to follow process	November	Mmabath o Autolot & Repairs	63 055 The Municipality vehicles had to be towed from Mafikeg to Municipal offices.
Impractical to follow process	November	RR Kgwadi Security and Constructi on	92 920 It was imparactical for the Municipality to obtain three quotations.
Emergency	October	Mmabath o Autolot & Repairs	5 463 Impractical to follow SCM process
Emergency	August	Mmabath o Autolot & Repairs	10 925 The Municipality vehicles had to be towed from Mafikeg to Municipal offices.
Emergency	August	Mmabath o Autolot & Repairs	9 200 The Municipality vehicles had to be towed from Mafikeg to Municipal offices.
Emergency	October	Truvelo Manufactu rers	5 263 Speeding by motorists on the N18 and the R507 roads has become a road safety concern that requires urgent attention
Emergency	April	Mmabath o Autolot	137 598 Inspected the voucher and confirmed that there was an urgent request to repair three water tankers as they are used to supply communities with water during funerals and for gravelling municipal internal roads.
Impractical to follow official Procurement Process		Empire Travels and Tours	86 506
Impractical to follow official Procurement Process		Rose Blossom Guest House	270 160
Impractical to follow official Procurement Process		Tshepo Hope Consultin g	199 644
Impractical to follow official Procurement Process		JKGB Solutions	57 720
Impractical to follow official Procurement Process		Mmabath o Autolot	34 605
Impractical to follow official Procurement Process		South African Council For Graduates	62 500
Impractical to follow official Procurement Process		Elective Training Institute Enterprise	32 300
Impractical to follow official Procurement Process		Modiboa Attorneys Inc	179 574
Impractical to follow official Procurement Process		Premier Hotel Or Tambo	54 750
Impractical to follow official Procurement Process		Elgro Hotel	36 610

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52. Deviation from supply chain management regulations (continued)			
Imparactical to follow official Procurement Process	Hurricane Locksmith	4 415	
Imparactical to follow official Procurement Process	Institute of Traffiv, Licensing and Metro	11 200	
Imparactical to follow official Procurement Process	King Motor Spares and Fitment	39 472	
Imparactical to follow official Procurement Process	Mmabath o Autolot	34 605	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	493 109	
Imparactical to follow official Procurement Process	Thatch Haven Guest House	60 000	
Imparactical to follow official Procurement Process	Chartered Institute of Governme nt Finance , Audit & Risk Officer	16 900	
Imparactical to follow official Procurement Process	Chartered Institute of Governme nt Finance , Audit & Risk Officer	33 800	
Imparactical to follow official Procurement Process	Fundudzi Media	30 370	
Imparactical to follow official Procurement Process	Hurricane Locksmith	7 275	
Imparactical to follow official Procurement Process	Hurricane Locksmith	2 975	
Imparactical to follow official Procurement Process	Hurricane Locksmith	6 155	
Imparactical to follow official Procurement Process	IMPS-SA	62 475	
Imparactical to follow official Procurement Process	Institute of Internal Auditors SA	2 116	
Imparactical to follow official Procurement Process	King Motor Spares and Fitment	53 167	
Imparactical to follow official Procurement Process	King Motor Spares and Fitment	7 975	

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52. Deviation from supply chain management regulations (continued)			
Imparactical to follow official Procurement Process	Blaauwberg Beach Hotel	87 600	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	255 791	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	11 682	
Imparactical to follow official Procurement Process	Kobo Segole Guest House	60 648	
Imparactical to follow official Procurement Process	TMK Attorneys	221 453	
Imparactical to follow official Procurement Process	Hino Lichtenburg	30 370	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	65 314	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	212 290	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	475 000	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	198 645	
Imparactical to follow official Procurement Process	Modiboa Attorneys Inc	579 231	
Imparactical to follow official Procurement Process	JKGB Solutions	49 247	
Imparactical to follow official Procurement Process	Mmabatho Autolot	20 533	
Imparactical to follow official Procurement Process	Elective Training Institute	43 484	
Imparactical to follow official Procurement Process	Enterprise Institute of Internal Auditors SA	5 428	
Imparactical to follow official Procurement Process	Peermount Metcourt	38 250	
Imparactical to follow official Procurement Process	Ngwenya Hotel	72 209	
Imparactical to follow official Procurement Process	TMK Attorneys	362 459	
Imparactical to follow official Procurement Process	JKGB Solutions	64 285	
Sole Provider	Hurricane Locksmith	3 455	

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52. Deviation from supply chain management regulations (continued)			
Imparactical to follow official Procurement Process	Chartered Institute of Government Finance, Audit & Risk Officer	6 400	
Imparactical to follow official Procurement Process	Institute of Internal Auditors SA	8 093	
Imparactical to follow official Procurement Process	Truvelo Manufacturers	6 155	
Emergency	Bornfree Investments 271	4 300 000	
		9 762 090	

53. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. 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 throughout the Ratlou municipal area. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Ratlou municipal area were sufficiently similar to warrant aggregation.

Ratlou Local Municipality

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53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
Revenue										
Service charges	431 989	-	-	-	-	-	-	-	-	431 989
Rental of facilities and equipment	1 810 427	-	-	-	-	-	-	-	-	1 810 427
Agency services	1 006 452	-	-	-	-	-	-	-	-	1 006 452
Other income	9 601 688	-	-	-	-	-	-	-	-	9 601 688
Interest received - investment	8 053 016	-	-	-	-	-	-	-	-	8 053 016
Gain/Loss on disposal of assets and liabilities	1 781 177	-	-	-	-	-	-	-	-	1 781 177
Actuarial gains/losses	79 454	-	-	-	-	-	-	-	-	79 454
Property rates	33 140 630	-	-	-	-	-	-	-	-	33 140 630
Interest received - property rates	8 937 815	-	-	-	-	-	-	-	-	8 937 815
Government grants & subsidies	4 812 223	18 883 614	46 012 359	13 854 448	24 024 858	13 064 741	22 929 672	67 007 928	6 250 687	216 840 530
Public contributions and donations	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	227 700	-	-	-	-	-	-	-	-	227 700
Total segment revenue	69 882 571	18 883 614	46 012 359	13 854 448	24 024 858	13 064 741	22 929 672	67 007 928	6 250 687	281 910 878
Entity's revenue										281 910 878

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	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
53. Segment information (continued)										
Expenditure										
Employee related costs	12 781 472	14 014 310	17 633 659	9 117 967	14 026 331	7 281 475	5 026 821	11 532 775	3 671 316	95 086 126
Remuneration of councillors	-	-	-	-	3 876 480	-	8 470 924	-	-	12 347 404
Depreciation and amortisation	30 300 703	-	-	-	-	-	-	-	-	30 300 703
Impairments loss	2 187 859	-	-	-	-	-	-	-	-	2 187 859
Finance costs	909 410	-	-	-	-	-	-	-	-	909 410
Debt impairment	15 544 930	-	-	-	-	-	-	-	-	15 544 930
Contracted services	21 853	-	13 785 271	-	-	-	-	-	-	13 807 124
General expenses	15 422 984	1 501 099	20 373 646	800 004	3 808 563	6 648 531	5 484 563	24 538 084	4 684 835	83 262 309
Fair Value Adjustment	104 683	-	-	-	-	-	-	-	-	104 683
Total segment expenditure	77 273 894	15 515 409	51 792 576	9 917 971	21 711 374	13 930 006	18 982 308	36 070 859	8 356 151	253 550 548
Total segmental surplus/(deficit)	(7 391 323)	3 368 205	(5 780 217)	3 936 477	2 313 484	(865 265)	3 947 364	30 937 069	(2 105 464)	28 360 330

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

2023

	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
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53. Segment information (continued)

Revenue

Service charges	398 710	-	-	-	-	-	-	-	-	-	398 710
Rental of facilities and equipment	1 660 290	-	-	-	-	-	-	-	-	-	1 660 290
Agency services	883 470	-	-	-	-	-	-	-	-	-	883 470
Other income	1 006 154	-	-	-	-	-	-	-	-	-	1 006 154
Interest received - investment	5 964 129	-	-	-	-	-	-	-	-	-	5 964 129
Gain/Loss on disposal of assets and liabilities	2 817 914	-	-	-	-	-	-	-	-	-	2 817 914
Actuarial gains/losses	1 131 120	-	-	-	-	-	-	-	-	-	1 131 120
Property rates	26 951 833	-	-	-	-	-	-	-	-	-	26 951 833
Interest received - property rates	16 422 825	-	-	-	-	-	-	-	-	-	16 422 825
Government grants & subsidies	6 920 238	21 228 616	41 331 036	10 421 945	22 935 697	14 393 591	14 811 436	29 213 209	7 226 254	168 482 022	
Public contributions and donations	-	-	-	-	-	-	-	88 500	-	88 500	
Fines, penalties and forfeits	178 800	-	-	-	-	-	-	-	-	178 800	
Total segment revenue	64 335 483	21 228 616	41 331 036	10 421 945	22 935 697	14 393 591	14 811 436	29 301 709	7 226 254	225 985 767	

Entity's revenue

225 985 767

Expenditure

Employee related costs	(13 089 275)	(12 999 730)	(18 810 116)	(8 281 241)	(13 486 415)	(6 142 702)	(4 682 417)	(10 079 391)	(3 611 570)	(91 182 857)
Remuneration of councillors	-	-	-	-	(4 592 896)	-	(7 722 038)	-	-	(12 314 934)
Depreciation and amortisation	(29 991 823)	-	-	-	-	-	-	-	-	(29 991 823)
Impairments loss	(8 891 026)	-	-	-	-	-	-	-	-	(8 891 026)
Finance costs	(709 686)	-	-	-	-	-	-	-	-	(709 686)
Debt impairment	(13 831 836)	-	-	-	-	-	-	-	-	(13 831 836)
Contracted services	(34 165)	-	(12 773 416)	-	-	-	-	-	-	(12 807 581)
General expenses	(26 238 667)	(483 594)	(16 493 881)	(406 300)	(2 106 217)	(4 600 126)	(3 726 087)	(17 314 809)	(2 588 601)	(73 958 282)
Total segment expenditure	(92 786 478)	(13 483 324)	(48 077 413)	(8 687 541)	(20 185 528)	(10 742 828)	(16 130 542)	(27 394 200)	(6 200 171)	(243 688 025)

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	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
53. Segment information (continued)										
Total segmental surplus/(deficit)	157 121 961	34 711 940	89 408 449	19 109 486	43 121 225	25 136 419	30 941 978	56 695 909	13 426 425	469 673 792

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

54. Budget differences

Material differences between budget and actual amounts

54.1 Service charges:

Variance is reasonable

54.2 Rental Facilities:

Variance is reasonable

54.3 Commission from Agency services:

Variance is reasonable

54.4 Licenses and Permits:

It was the new source of income, differences are due to unavailability of prior information to refer to for budget estimates.

54.5 Impairment loss reversal:

Due to unpredictable circumstances that results in the impairment loss reversal exceeding the Impairment loss, this could not be correctly estimated for budget purpose.

54.6 - Other income:

Due to increase in sale tender documents, and as results of budget classification and Annual financial statement classification, the budget include amounts which relates to gains on disposal of assets and liabilities, Actuarial gains and Interests on property rates.

54.7 - Interest on investment:

Variance is reasonable

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54. Budget differences (continued)

54.8 - Property rates:

Variance is reasonable.

54.9 - Interest on debtors:

The budget for is consolidated under Other Income, the Actuals are presented with breakdowns- Differences are due to difference in Annual Financial Statements classification and Budget Classification.

54.10 - Government Grants and Subsidies:

Variance is reasonable.

54.11- Fines, Forfeit and penalties: Variance are as results of the period after the disposals of municipal vehicles, traffic department due to limited vehicles work limited hours.

54.12 Personnel

The observed discrepancies between the budgeted and actual employee-related costs can be attributed primarily to an overestimation of basic salaries for newly appointed Senior Managers. These managers were anticipated to commence their duties earlier than they actually did, resulting in a variance.

54.13 Remuneration of councillors

The variance in employee-related costs is attributable to the overprovisioning of basic salaries for councillors and medical aid contributions for both the Office of the Speaker and the Office of the Mayor. This overprovisioning occurred due to frequent adjustments in contributions and the dynamic nature of structural positions within each office. Consequently, not all allocated budget was utilized. Additionally, it has been noted that the budget for the Mayor's traveling allowance, as well as the Acting allowances for staff in the Corporate Services office, were also overestimated.

54.14 Depreciation and amortisation

Assets that were provisioned for depreciation were replaced with new assets. The newly acquired assets, which included motor vehicles and computer equipment, were purchased closer to the end of the year. As a result, these assets were depreciated for fewer days than anticipated, leading to a lower actual depreciation expense.

55.15 Finance costs

The actual interest paid was less than anticipated due to the municipality's efforts in strengthening internal controls. These improvements effectively mitigated and prevented interest charges, resulting in a lower actual interest expense.

54.16 Debt Impairment

Debts Impairment was under estimated due to being overly optimistic about customers' ability to pay and due to rapid changes in the economic environment.

54.17 Contracted Services

The difference in security service expenses is attributable to a payment for one month that pertains to a different financial period. This resulted in a misalignment of expense recognition between periods.

54.18 General Expenses

The actual expenses for rentals of office equipment, payments for office handsets, and other provisions were higher than anticipated. This increase is due to the inception fees charged by new service providers and differences in charges compared to the previous service providers.

54.19 Inventory consumed

There is no single major contributor to the underspending; rather, it is the result of aggregated minor underspending across all inventory and consumable components.

Ratlou Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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55. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

North West Department of Community Safety and Transport

The Department of Community Safety and Transport management entered into an agreement/contact with the local municipality for performing of the motor vehicle registration and licencing function as well as the motor vehicle renewal licences on an agency basis.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R950 962 (2023: R883 470).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities incurred on behalf of the principal have been recognised by the municipality.

Corresponding rights of reimbursement that have been recognised as assets are amounts receivable in respect of commission receivable by the municipality, and amount to R191 227 (2023: R213 395)

56. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 676 990	8 676 990
Other receivables from non-exchange transactions	88 402	88 402
Cash and cash equivalents	52 875 318	52 875 318
	61 640 710	61 640 710

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	31 644 265	31 644 265
Consumer deposit	63 922	63 922
	31 708 187	31 708 187

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	7 239 972	7 239 972
Other receivables from non-exchange transactions	239 104	239 104
Cash and cash equivalents	92 800 784	92 800 784
	100 279 860	100 279 860

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Figures in Rand	2024	2023
56. Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	36 561 522	36 561 522
Consumer deposit	32 339	32 339
	36 593 861	36 593 861